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Daily Report

Annex

East Asia

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ANNEX

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Japan

U.S. Auto Quality Seen Improving

OW1507132092 Tokyo NIHON KEIZAI SHIMBUN
in Japanese 14 Jul 92 Morning Edition p 11—FOR
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[Article by reporter Hirano: "American Cars Catching Up—The Quality Gap Narrowing"; sixth in series entitled "Reexamining Japan-U.S. Competitiveness"]

[Text] "Although this store opened in October 1990, cars sold by it are very popular with the customers; this store sells 200 cars a month," said Larry Denny with a laugh, vice president of Saturn North, an American car dealer in Columbus, Ohio. The vice president went on to say: "According to our customers, about half the cars sold by our store have been compared with Japanese cars...."

As the name of the store indicates, it sells Saturn, a small passenger car built by General Motors Corporation. The passenger cars which are sold with great popularity in the United States are neither Corollas (built by Toyota Motor Corporation) nor Civics (built by Honda Motor Company) but Saturns, which General Motors Corporation has spent \$5 billion and seven years to develop, with the aim of countering foreign-built passenger cars on the U.S. auto market.

Japanese-Built Cars Losing Popularity

General Motors Corporation is under criticism because it has spent too much time on the development of Saturn and has made huge investments toward automating the production lines, with no clear prospect for returns. Last year the U.S. automaker sold 745,000 Saturns, and during the first six months of this year sold 950,400, surpassing Corolla and Civic by 3,000 and 7,000 cars respectively. In this way, the prospect this year for the sales of Saturn are bright.

Saturn enjoys a high quality rating among customers. According to the results of a customer satisfactory survey conducted by J.D. Power and Associates, Saturn ranks third only after the Toyota-built Lexus and the Nissan-built Infinity.

Saturn has become a symbolic U.S. car to counter foreign-made cars. According to the results of a survey on blue chip automakers in North America, the General Motors Corporation's factory in Oklahoma ranks first. David Power, president of J.D. Power Company, said: "Passenger cars built by Honda, Toyota, and Nissan are far superior to U.S.-built cars, but there is no difference between passenger cars built by the Big Three and cars built by the rest of the Japanese automakers."

A growing number of officials in the Japanese auto industry have come to feel keenly the narrowing gap between Japanese-built and U.S.-built cars in terms of quality.

Development Period Shortened

Subaru-Isuzu Automotive in Indiana is a locally incorporated auto company formed jointly by Isuzu Motors Ltd. and Fuji Heavy Industries in the United States. This is where Legacy is built. Taurus (built by the Ford Corporation) and Chevrolet's Lumina (built by General Motors Corporation) are also built in a corner of the company's factory. President Tama Yamamoto, who has doubts about the alleged improvements in the quality of U.S.-built cars, has made a comparative performance test between U.S. and Japanese cars.

As a result of the test, it has turned out that "U.S. cars are as good as Japanese cars in terms of quality, and the allegation that U.S. cars are inferior to Japanese cars is a myth."

What has improved the quality of U.S. cars? Chrysler Corporation made a thorough research of how Honda Motor Company develops new cars, and introduced a new type of management in the late 1980's under which a team made up of staff members from designing, purchase, production, and accounting divisions took charge of developing new cars. In the past the Big Three pursued the development of cars by each division. T.G. Denomme, executive vice president of Chrysler Corporation, boasted of his company's accomplishments, saying, "We have succeeded in shortening the development period of new cars from five to three years—as Honda has done—and in cutting production costs."

Changes in Prices

In recent years, General Motors Corporation and Ford Motor Co. have been eager to learn from Japanese automakers how to improve the quality of cars on their production lines, and their efforts have borne fruit at long last.

Changes are taking place in the price of Japanese cars, which have been seen as a major factor in making Japanese cars competitive abroad. Honda began selling Civic in the United States, publicizing that the car was the cheapest in the world. The price of the 1992 model Civic, however, balloons to as much as \$13,700, up 37.6 percent over the 1987 model. In contrast, Saturn is sold for \$8,000 to \$9,000 and Coupe—popular among consumers—is sold for less than \$12,000. Other small U.S. passenger cars are sold for approximately \$9,000. It is safe to say the Big Three are now able to manufacture inexpensive small passenger cars.

The strong yen has also driven up the price of Japanese passenger cars in the United States, and Japanese automakers have shifted their sales strategy from low-priced passenger cars to high-priced passenger cars, which has further driven up prices. In the case of Mazda Motor Corporation, the average domestic price of a passenger car built by the automaker in late 1987 was 1,140,000 yen—except for the commodity tax—but jumped to 1,800,000 yen in late 1991.

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While explaining why the share of Japanese passenger cars recently declined on the U.S. auto market, Marian Kellar [name as published], an American auto analyst, said: "Americans have begun to realize that Japanese-built passenger cars are not worth what they pay." The American auto analyst added: "I do not know whether the share of Japanese-built passenger cars will continue to decline on the U.S. automarket. However, as competition in the U.S. auto market intensifies among domestic and foreign automakers, the profits of Japanese automakers in the United States will fall." The time is about to pass when the United States was a dollar-box market for Japanese automakers.

Critique of MITI 'Unfair Trade Report'

OW1407113392 Tokyo SHUKAN DAIYAMONDO in Japanese 27 Jun 92 pp 10-11—FOR OFFICIAL USE ONLY

[Unattributed article: "MITI's Untimely and Overeager 'Unfair Trade Practices Report': A Puzzling Attempt To Solve Mundane Trade Problems Through 'Legal Argument'"]

[Text] **Counterattack by the Ministry of International Trade and Industry [MITI]**

The "1992 edition of the Unfair Trade Practices Report" released on 8 June by the Industrial Structure Council turned out to be the first bestseller of its genre in a long while. It was "sold out on the first day" and additional printing was called for.

Reactions from the foreign media include: "Offensive new strategy" (THE NEW YORK TIMES) and "MITI starts battle of words against the trade barrier" (THE WALL STREET JOURNAL). Ever since the textile negotiations a quarter of a century ago, the Japanese Government has been forced to go into unprincipled trade negotiations, and has been defeated continuously in the Japan-U.S. trade negotiations. Has the Japanese Government finally been moved to counterattack, using GATT as its slogan?

In the United States Trade Representative's (USTR) "Foreign Trade Barrier Report" issued at the end of March, Japan was cited in 36 categories—including leather products, rice, lawyers, and auto parts—on which Section 301 of the new trade act will be applied, and was called "the symbol of a closed market".

Trade barriers were also listed in the same manner in the EC committee's "Report on Economic Policy Toward Japan," released in May.

This might seem to be the first attempt to reply to the reports issued by the United States and Europe, which have been under investigation by the Unfair Trade Policies and Measures Investigating Subcommittee created last autumn at the Uruguay Round Committee of the Industrial Structure Council. Actually, though, a similar report was issued in June last year.

Last year's report was titled the "Unfair Trade Policy Report" and was issued by the Fair Trading Center, an extragovernmental organization run by MITI. It was compiled by Mitsuo Matsushita, chairman of the subcommittee and professor at the Faculty of Law, University of Tokyo (specializing in international business law).

On the subcommittee, members are all from the field of law, such as experts in international private law, officials in charge of corporate legal affairs, and lawyers.

This resulted in a report with a legalistic bias. The attitude of rigorous inquiry into the definition of "unfairness" creates an atmosphere more akin to an academic society than that of a deliberative council.

Evaluating This "Product of Hard Work"

Nevertheless, this report, consisting of 118 pages in Japanese, or 212 pages in English, is no doubt the product of hard work.

The document in Japanese, upholding such international rules as GATT, classified 10 unfair trade policies and measures into four categories: "those that are clearly prohibited by GATT rules," "unilateral action (citing the United States by name)," "abuse of GATT rules (a gray area)," "new areas (subjects that have been brought up for the first time in the Uruguay Round talks, such as the service sector, which does not have clear rules)".

Japan's 10 major trading partners were thus pronounced guilty.

Toshio Koo, a senior researcher at Columbia University, stated that "it is obvious when reading the English version that the passages expressing the importance of the Uruguay Round and the establishment of a system to solve its disputes were carefully worded." It seems the interpretation differs somewhat depending on the version.

Compared to the USTR and EC reports, which list only the trade barriers, the report by the Industrial Structure Council defines the sometimes ambiguously used term "unfair trade." Setting forth rule-oriented standards makes this report unique.

However, former deputy USTR S. Linn Williams criticized it outright: "The report is trying to define unfair trade, but that does not make any sense. For example, GATT does not cover agriculture. So, does that mean the tariffs, import quotas, or other regulations related to agriculture do not constitute unfair trade practices? The answer is no. In the same manner, GATT does not cover structural problems, such as those related to the Anti-trust Law, and the rights of stockholders, at all. The theoretical framework itself is wrong."

The Industrial Structure Council's report indicates that Japan's imports grew twice as fast as its exports in the latter half of the 1980's. "Accusing Japan of a closed market, of having many trade barriers, and not having the intention of practicing free trade comes from not

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fully recognizing such a reality." However strongly the report demands such recognition, the report lacks the insight that these were the result of "outside pressure" from the Structural Impediments Initiative (SII) and other negotiations in individual sectors.

This is the cause of sarcastic reports from the United States such as "people who live in glass houses should be careful when throwing stones" (White House Spokesman Fitzwater); and resentful comments like "the United States is one of the most open markets in the world. It is surprising that Japan, which is benefiting most, is making such an accusation" (USTR Hills).

In the "Unfair Trade Policy Report," the United States scored the highest in the list of unfair trade practices. However, this is paradoxical to Japan's actual trade surplus and the active advance of Japanese companies into the U.S. market. Problems involving trade cannot be solved using legal rules. Therefore, feeling a sense of relief by targeting the United States as a country devoted to unilateralism will not solve the trade friction.

In any case, the timing of the release of the report was bad with the United States in the midst of a presidential election. President Bush loses face as the United States, which prides itself on being the leader of free trade, is labeled the country with the most unfair trade practices.

And at a time when the "1992 Trade Expansion Bill" has passed the House of Representatives Budget Committee—the highlight of which is the revival of the Super 301 provision—and is advancing to target Japan before the Munich summit, the report will cause more trouble than is needed.

"This will become a problem if it is taken up by the Congress and the protectionists," says Williams.

Such a report is scheduled to be released again next year. I would like to conclude with a comment from Mr. Koo: "From now on, it will be important to prudently discuss the inaccuracies in the U.S. and EC reports among the three parties, and to follow up in such a way that a report intended to solve the frictions will not be a new cause of conflicts, while carefully considering the situation in other countries, and modestly criticizing Japan's own unfair trade areas—such as agriculture, subsidies, keiretsu, and dango [bid rigging]."

Follow-Up SII Working-Level Talks Resume

OW1407141592 Tokyo NIHON KEIZAI SHIMBUN
in Japanese 12 Jul 92 Morning Edition p 3—FOR
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[Text] A follow-up meeting at the acting-leader level (division chiefs) of the Japanese-U.S. Structural Impediments Initiative (SII) talks will resume on 13 July, and then the second follow-up report will be worked out at a meeting at vice-ministerial level scheduled in late July.

In order to correct its trade imbalance with Japan, the U.S. Government has requested that Japan steadily

implements a five-year program aimed at turning Japan into a lifestyle superpower through front-loading and further expansion of its 10-year public works investment program.

It has also called on Japan to include in the report new wide-ranging measures such as marketing activity liberalization, including enhanced enforcement of the Antimonopoly Law and the easing of regulations on offering premiums to customers.

The United States will inevitably face difficulties in these talks with the Japanese side because Tokyo intends to avoid making any further public commitments beyond what it has done hitherto, the only exception being the compilation of a large-scale supplementary budget pledged by Prime Minister Kiichi Miyazawa.

Generally speaking, the Japanese side has made steady progress in implementing measures to meet existing commitments. An area of 35,000 hectares, which accounts for two-thirds of the farm land located within the urbanized area in the three metropolitan areas [of Tokyo, Osaka, and Kyoto], will become subject to taxation at about the same tax rate as that for residential land, and if the plan to turn this area into residential land is promoted smoothly, it is expected that housing will be provided for more than 1 million households in 10 years.

In addition to the approval last June for credit cards issued by various banks to function as revolving credit, work has also begun on revising the Patent Law so as to speed up patent screening procedures.

The United States is most concerned about "exclusive business practices." On this issue, the Fair Trade Commission is now working on a bill to raise the ceiling to 100 million yen (from the current limit of 5 million yen) on fines that can be imposed on corporations that violate the Antimonopoly Law.

However, based on the fact that no progress has been made in correcting the trade imbalance, the Japanese Government has hardly taken any action to deal with new measures that the U.S. side has newly proposed. While intending to indicate the possibility of making additional investment in public works in the supplemental budget for the current fiscal year, the government has adopted a policy of "not making any commitments on the front-loading of public works investment" to achieve the investment target of 430 trillion yen in the 10-year period up to 2000, "nor making any commitment on annual programs" (according to a government source).

With regard to such businesses as maritime transportation and insurance, there is a system for excluding them from the application of the Antimonopoly Law; and, based on this system, the establishment of cartels is approved without the application of the Antimonopoly Law. Concerned ministries and agencies on the Japanese side share the common understanding that Japan "can merely indicate that 'conclusion will not be worked out

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until the fiscal year 1995 (the seventh year of the Heisei era)' as stated in the recommendations submitted last June by the Provisional Council for the Promotion of Administrative Reform."

Since the U.S. side has urged Japan to work out an action program to either abolish or scale down this system within this year, there is apparently a great disparity between Japanese policy and the U.S. proposal.

On the issue of disclosure of management details, provisions on enhanced punitive actions for illegal disclosure have been incorporated in the revised Securities and Exchange Law that was adopted last June. However, the Japanese side is not yet ready to give a concrete reply to the U.S. request to grant, even to small shareholders, the right of access to account books.

Moreover, the U.S. side has made proposals calling for improvements to the business environment through such measures as: 1) Introduction of unification (a system of comprehensive handling) of all import-related approval procedures, including customs clearance and quarantine inspection; 2) liberalization of direct investment in businesses that are not related to security; 3) deregulation of advertisements with prizes as a premium and offering of premiums to customers; 4) enhancement of control on interlocking stockholdings; and 5) achieving transparency for trade association activities. However, the Japanese side plans to shelve its reply to the requests.

On the other hand, the U.S. side has fallen behind in working out conditions for restoring enterprise competitiveness through such measures as correction of fiscal deficits, settlement of quarterly accounts, and reform of legal proceedings system. Amid sluggish business conditions and with elections approaching, top leaders of the two nations seem to be giving priority to macroeconomic policies for stimulating economic growth while putting off efforts to eliminate individual structural barriers.

The two sides will be working out a follow-up report for the second time, and "what remains unsolved are all the difficult problems" (according to a leading official of the Foreign Ministry). This must be one of the reasons why the development of the SII talks may be delayed.

Businessmen Discuss Economic Friction With U.S.

*OW1407125992 Tokyo ASAHI SHIMBUN in Japanese
11 Jul 92 Evening Edition p 6—FOR OFFICIAL USE ONLY*

["Dialogue" between Toyoo Gyoten of the Bank of Tokyo and Makoto Kuroda of Mitsubishi Corp. entitled "Understanding the True Nature of Japan-U.S. Economic Frictions"; from the "Seminar" column of the "Weekend Economy" section]

[Text] We have asked Mr. Toyoo Gyoten, president of Bank of Tokyo and former vice minister of finance for international affairs at the Finance Ministry, and Makoto Kuroda, managing director of the Mitsubishi

Corp. and former vice minister for international affairs of the Ministry of International Trade and Industry [MITI], to talk on Japan-U.S. economic relations on the basis of their experience in business.

[Kuroda] Whenever trade problems arise between Japan and the United States, the Japanese Government tends to listen, somehow or other, to what the United States has to say. However, I have recently come to think of such a tendency as something uncalled-for. Despite our kind treatment, which would be unthinkable in normal bilateral relations, the United States has responded to our treatment by merely saying something like: "Japan is acting thus probably because it has done something with a guilty conscience," or "because it is afraid of being attacked on other issues."

Economic frictions cannot be eliminated for good because the two sides, including the mass media, have mistakenly set up the issue as "Japan's trade surplus will lead to troubles." Once it is mentioned that a trade surplus is undesirable, Japan will have to bear the full responsibility. If they say that U.S. industry is suffering damage because of the volume of imports, it will make one feel relieved to clearly state: "How about taking some safeguarding measures (to protect your industries by increasing tariffs or restricting imports)?" Although this idea may sound rather dangerous...

[Gyoten] Nevertheless, I feel that problems still exist in Japan's industrial structure. Since the yen's appreciation in 1986, people have felt delighted because the Japanese economy has, for the first time, shifted its structure to one led by domestic demand. However, they have recently come to understand that such is not the case. Even if domestic demand has increased, does it not merely indicate that, after all, funds obtained easily have been invested in plants and equipment, thereby bringing about new capability for providing surplus supply?

[Kuroda] However, no one in the United States has actually suffered troubles because of Japan's trade surplus.

[Gyoten] It is true that international reactions have become different from what they were before. Since the Japanese economy has expanded to such a large scale, the ratio of the trade surplus to the gross national product (GNP) has become less significant now. Moreover, various countries in the world have now come to understand the significance of their interdependence with the Japanese economy. There are nations that import semiconductors or machinery parts from Japan and process them into products for export. They have come to understand that Japan does not devastate the market just like a carnivorous animal.

By the way, Mr. Kuroda, now that you have joined a trading firm, don't you have the feeling that "it is difficult for foreign goods to enter the Japanese market"?

Is Japanese Market a Closed One?

[Kuroda] It is true that it is rather difficult. However, this has been reported in a rather exaggerated way. Once, a U.S. company named Precision tried to sell its device for detecting counterfeit paper money to the Bank of Japan [BOJ]. Since the BOJ has developed know-how to detect counterfeit paper money in cooperation with Toshiba with good results, it turned down the offer, saying that "the bank can do without the offer." This incident did cause trouble because it was reported that "the BOJ did not even want to listen to what they had to say." It is just natural in Japan for companies to respect the existing relationship of transactions, and for this reason, they may treat newcomers rather unkindly.

[Gyoten] With regard to the Japan-U.S. Structural Impediments Initiative [SII] talks that are in progress now between the two nations, I am most dissatisfied with the fact that there is no common factor involving those topics on each nation that have been brought up for discussion. The topic concerning Japan that has been brought up for discussion is Japanese business society as it ought to be, including the Keiretsu system [system of business affiliation], the antimonopoly law, and the large-scale retail stores law. Meanwhile, the topics involving the United States include such issues as the argument over savings and investment and improvement of the educational system.

The United States must have the same problems concerning its market mechanism that Japan does. In this connection, this problem should be brought up for discussion. And only through discussions about where and how improvement can be made will the two nations be able to create capitalism that shares the largest number of common factors.

By the way, Mr. Kuroda, what do you think of the current situation in U.S. industry?

[Kuroda] Through transactions in such commodities as coal, I have come to feel that the United States has enormous potential in its infrastructure (basic industrial foundation). Australian coal, which is a competitor of U.S. coal, is transported about 200 kilometers to ports by railway. U.S. coal, however, which is produced in Wyoming for example, is transported from inland by railway for nearly 2,000 kms. Nevertheless, it still can win in the competition. In the United States, private companies have a long-established railway network and have already paid for its depreciation. On the other hand, Australian states have to invest funds in laying railway lines at high cost. Herein lies the difference. Although there has been much talk about U.S. competitive power in industry, the United States still has formidable capability.

Incidentally, what moves are being made in the financial field now?

[Gyoten] The greatest concern among foreign banks and securities dealers is how the definition of securities will

be changed in the revision of the Security and Exchange Law that will come following reform of the financial system. What they are good at is financial engineering—earning profits from transactions by use of computers. As a matter of fact, foreign securities companies are steadily gaining profits even at a time when stock prices are falling. Therefore, they hope that the range of securities will be expanded as much as possible so that there will be more chances for them to earn profits. Thus, it has become obvious wherein lies the point at issue in the financial field.

Ample Latitude Felt in the United States

After your retirement from office, Mr. Kuroda, you lectured once at Princeton University as visiting professor. Is that right?

[Gyoten] Before enrolling in graduate school, students spend one year touring various countries in the world or working for foreign companies to gain experience. They can enjoy free time that may sound like a waste of time at first. It is excellent that society is capable of accepting such a practice calmly. Therefore, I feel that the United States still has ample latitude.

Once, I had the experience of giving a speech at a meeting of the All-U.S. Student Unions. When they were allowed to ask questions, a long line formed in front of the microphone. While listening to the speech, they were thinking about what questions to ask. Most of them were well trained. There were Japanese in the audience, and I was most impressed with the fact that female students were far better than the male students.

U.S. Interest in Korean Unification Talks Viewed

*OW1507100592 Tokyo MAINICHI SHIMBUN
in Japanese 12 Jul 92 Morning Edition p 11—FOR
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[Report by MAINICHI SHIMBUN Washington correspondent Tomokatsu Shigemura on a symposium entitled "Korean Reunification: Implication for Northeast Asia" held from 23 to 25 June under the auspices of the Center for Strategic and International Studies]

[Text] The time difference between Hawaii and the east coast of the United States is six hours; noon in Hawaii is six o'clock in the evening in Washington. Since it takes six hours to fly from Washington to Hawaii, it is difficult to arrive in Hawaii during business hours, even if you take advantage of the time difference. Probably for this reason no airline offers direct flights from Washington to Hawaii.

If you stop at two or three places in transit, then it will take 12 or 13 hours to fly from Washington to Hawaii. You have to wait almost a whole day before arriving there. In that sense, Japan is by far closer than Hawaii.

Despite this remoteness in terms of time and distance, reports regarding the symposium "Korean Reunification: Implication for Northeast Asia" arrived at the desks of those associated with the U.S. Government faster than I anticipated. When I called someone associated with the U.S. Government immediately after returning to my post in Washington, he said: "I have just finished reading the report from Hawaii." This indicates that those associated with the U.S. Government were more interested in the meeting than I thought.

Why did they have such a high interest in the Hawaii meeting? It was because North Korea's Yi Sam-no, leader of a negotiation team for normalizing Japanese-North Korean diplomatic relations, had attended the meeting. He was only the second high official of the North Korean Government to ever visit the United States.

So far most high officials of the North Korean Government who have visited the United States merely went to New York to attend the UN General Assembly and other meetings. Moreover, North Korean officials are prohibited from traveling to places other than New York. Of the incumbent high officials in the North Korean Government, Song Kak-un, chief of the Japan and U.S. Bureau of the North Korean Foreign Ministry, was the first official allowed to visit Washington in May of this year. Yi Sam-no's trip to Hawaii was the second of such trips. Mr. Yi's visit to the United States itself was exceptional, while at the same time the U.S. Government's issuance of a visa was also unusual.

Mr. Yi applied for an entrance visa by using his title as adviser to the Institute for Disarmament and Peace, which is under the influence of North Korean Foreign Ministry. Knowing he is a leader of the negotiation team for normalizing Japan-DPRK diplomatic relations, the State Department approved issuance of a visa. The State Department's ROK Department has the power to issue entrance visas to those associated with the North Korean Government. Due to its strong wish to discern North Korea's diplomatic stance from Mr. Yi's remarks as well as his contacts with U.S. Government officials, Washington issued a visa to Mr. Yi.

We can say the U.S. Government was very much interested in the details of Mr. Yi's contacts with former high officials of the U.S. and Japanese Governments outside the meeting hall, not to mention his remarks at the meeting. As the U.S. Government expected, Mr. Yi actively exchanged views behind the scenes with James Kelly, former Asia Department Chief of the National Security Council (NSC), who attended the meeting.

Mr. Kelly is known as a former high official who was engaged in mapping out Asian policies in the White House during the Reagan period. He still maintains close ties with the State Department and the White House. Through such contacts with concerned people, Mr. Yi tried to work upon them in order to thoroughly convey

to the U.S. Government the intentions of North Korea. At the same time, he tried to discern the true intentions of the U.S. Government.

The main interest of North Korea is to know the true intention of the U.S. Government regarding the improvement and normalization of relations with North Korea. Will the United States really improve relations with the DPRK following mutual nuclear inspections in the North and South? North Korea suspects the U.S. Government may introduce new conditions to be fulfilled. The root of this suspicion can be attributed to North Korean distrust of the United States. North Korea thinks "the ultimate goal of the United States is to destroy the North Korean regime." If this is true, then North Korea cannot voluntarily give up its "diplomatic card."

By taking advantage of opportune moments at the meeting and during breakfast, Mr. Yi also actively exchanged opinions with Kiyohiko Nanao, counselor of the Information Analysis, Research, and Planning Bureau of the Japanese Foreign Ministry. North Korea is also interested in knowing how far Japan will follow U.S. intentions regarding negotiations for normalizing Japan-DPRK diplomatic relations.

Are there any differences in the policies of Japan and the United States regarding negotiations for normalizing Japan-DPRK diplomatic relations? Will Japan be able to take steps toward normalizing its ties with North Korea, even at the risk of taking a stance opposite the United States? There are many problems which North Korea has to clarify before making its decision.

South Korean representatives who attended the meeting also exchanged views with Mr. Yi. Some sat side by side with him and held friendly conversations during bus trips to and from the meeting.

Inconspicuous diplomatic contacts with the North Korean official by Japanese, South Korean, and U.S. diplomats at the meeting in Hawaii have produced unexpected outcomes that will be linked to the next stage in the development of diplomacy regarding the Korean peninsula.

Joint Nuclear Research Planned With Russia

*OW1407223592 Tokyo YOMIURI SHIMBUN
in Japanese 12 Jul 92 Morning Edition p 30—FOR
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[Text] On 11 July the government decided on the contents of the first joint nuclear energy research project between Japan and Russia, which will be carried out to prevent a brain drain of nuclear scientists and technicians from the former Soviet Union. The project consists of three areas: Development of a reactor powered by nuclear fusion, which is considered to be an ideal source of energy; research on finding a new way to process nuclear waste; and development of a more compact and

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safe next-generation nuclear reactor. The government will launch the project next year.

The three areas are considered fields in which the former Soviet Union has advanced knowledge and skills. The Science and Technology Agency and the Japan Atomic Energy Research Institute [JAERI] settled on the three areas based on the fact that a well-organized research institute with an experienced staff already existed in the former Soviet Union.

The development of the nuclear fusion reactor is to be entrusted to the Kruchatov Atomic Energy Research Institute in Moscow, which has the "T20" device used in advanced experiments. In conducting research, characteristics of plasma when nuclear fuel is actually burned will be checked. The reaction of deuterium and tritium in nuclear fusion is considered indispensable in experiments for further advanced study. However, because of the difficulty in handling radioactive waste, such experiments are not likely to take place in Japan.

Extinction processing of nuclear waste is a new technology that uses an accelerator for destroying radioactive objects with a long atomic life contained in high-level radioactive waste produced by nuclear power plants. JAERI researchers visited Russia earlier this month and consulted with the nuclear physics research institute in Novosibirsk and other institutions as to how the research should be conducted. The institute has a large-scale accelerator.

Russia has already used the fast-breeder reactor, in which lead is used as coolant to increase safety, in nuclear submarines and military installations. The reactor is considered to be a new-type reactor that can be used in deep sea expeditions or outer space. JAERI plans to actively pursue this technology.

The government will entrust the project to Russian scientists through the "International Science and Technology Center" established in Russia by European nations, the United States, and Japan. The center will become active in September.

Reorganization of Diet Politics Examined

922B0152A Tokyo EKONOMISUTO in Japanese
12 May 92 pp 56-61—FOR OFFICIAL USE ONLY

[Article by Jiro Yamaguchi: "The Diet Should Be the Main Place for Politicians To Do Their Jobs"]

[Text] There have been major changes in systems of government in countries throughout the globe. As we see that occurring, we find in Japan those who urge that the "1955 system" of politics should be overhauled. However, the discussions that we have been hearing on a political reorganization and the facts at hand are two completely different things. In this article, the writer suggests that the way to proceed is to free the representatives from the restrictions of party decisions and formulate government policy through discussions and

debates in the Diet, which should be the main place where politicians do their jobs.

With the elections in the House of Councillors just ahead of us, there has been a lot of talk lately about a "coalition government" and a reorganization of Japan's political parties. There was a bit of an upheaval in Japan's political system around the time of the elections for the House of Councillors three years ago; several incidents since then have intensified matters too. Those events include political reform here at home, and the Gulf War, the Uruguay Round, and a myriad of other tough foreign issues on which the government has had to take a stand. Events like those have kept things from falling into place. Since the end of the 1980s countries everywhere have seen sweeping structural changes in their governments, and such significant changes would probably only come once every 100 years or so. So, can we really expect Japan to be the only country that does not have to deal with such structural change? A system where one party, the Liberal-Democratic Party, has come to dominate the political scene started in the midst of the Cold War in 1955, but efforts are under way to put an end to the historical role which that system has played. Other political parties in Japan, however, are not going to be able to expand their horizons unless the country changes its basic stance, and that would mean that political parties would have to be reformed.

The Miyazawa Administration, which was supposed to have been an "administration" in the true sense of the word, something that we have not experienced for quite some time, has been hedging on major shifts in government policies. Although this might lead us to believe that the administration is indecisive, we should not call Mr. Miyazawa's leadership capabilities into question. Instead, we should ask ourselves whether a system that has been controlled by the Liberal-Democratic Party, the majority party, has been able to deal with the issues. (I shall make a bit of a side note. It would seem to me that Ichiro Ozawa, who in a key position of authority and who has picked up on this problem, has posed a series of moot issues in an effort to use "shock therapy" on the Liberal-Democratic Party and those in the know to break the impasse.)

Growing Disillusionment About Existing Political Parties

A political overhaul is not going to happen overnight. It is probably the feelings of utter disillusionment and hopelessness that the nation has about its existing political system that has enabled the mass media to play up a political reorganization for all the hype is worth. In the by-elections for the House of Councillors in Nara and Miyagi, the candidates in the coalition beat the Liberal-Democratic Party candidates. Although some might interpret that to mean that the public favors the candidates in the coalition, it should more likely be viewed as a sign that the people are fed up with the current political parties, and here we mean the minority parties too, and share a hope that new forces will wield their influence.

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We have been through the Kyowa and Sagawa affairs and a series of political scandals. There are fewer people who back the prime minister, and that is similar to the way it was three years ago. The dissatisfaction and anger that the people have had for the government, however, has not led to support for the opposition parties, and that includes the Socialist Party too. The people are disenchanted because the Socialist Party, a party that was thought so capable and was touted three years ago, has not undergone a substantive change. A coalition is a new type of political force, and its structure is not organized. Its framework is a hodgepodge, and it is upon that characteristic that people pin their hopes. Although very few rational individuals would allow groups lacking general platforms or basic government policies to hold parliamentary seats, groups that have been able to put together palatable theories differing from the structural theories of current political parties are more popular than the parties that we have now. That factor would seem to be one key to interpreting the prevailing political situation. Before we get carried away in a discussion of political reorganization and reform, we should note that there are also factors at work in the parliamentary system in addition to the factors in play with political parties. The Liberal-Democratic Party will probably not be able to avoid losing a considerable number of seats in the Diet in the House of Councilors elections this summer, even though the party had gained those seats in the dual election six years ago. What's more, if the Liberal-Democratic Party should not have a majority even when the seats held by the Komeito and the Minshato are tallied, the party's control will not be nearly as tight as it has been. Under Japan's parliamentary system, the Prime Minister is designated only by the House of Representatives. Both the House of Representatives and the House of Councilors, however, are on equal footing completely in the review of, and deliberation on, bills. This means that it is not going to be enough for the Liberal-Democratic Party, the Komeito, or the Minshato to hold a majority; support from the Socialist Party will be necessary to create legislation. Although the Liberal-Democratic Party will nominate the Prime Minister on its own, the day-to-day business inherent to running the nation is going to have to be done through alliances between representatives of opposing parties. The creation of a "coalition" will have a major impact on the individual political parties, and, therefore, a growing number of individuals expect that that could trigger a reorganization in the political parties that have been with us since 1955.

A Weak Political Ideology

Numbers needed to run the nation smoothly is what will be discussed if the subject of reorganization of politics and political parties is brought up; that is the main reason that the topic of a reorganization has not come up too often. I do not see any indication that the bigwigs in the Liberal-Democratic Party and Socialist Party have been mulling over a re-evaluation of the current system that is running our nation, even though that system has

created the flaws in our current political system. The basic motive behind the suggestion of a coalition by members of the Liberal-Democratic Party is that a coalition would pay the unavoidable costs needed to keep up an image that the LDP is at the helm. We might wonder, however, if there is any motive at all in a call for a coalition by those in the opposition; they seem to want the running of the nation to continue the way that it is, or at best, to enjoy some of the power. Political ideologies have been watered down in discussions of the theory of a coalition government and restructuring, and that is why I am not at all optimistic about the coalition that those in political circles have been talking about. If there is to be a major transition period in the political structure, a coalition government for the nation might have to be created to enable a political changeover to occur. Assuming, however, that we did want to create a coalition government in Japan today, we would have to ask ourselves what we would have to do to create one. In our discussions of a coalition government we would need to delineate the policies and the political issues involved and clarify the direction to be taken and specify the time frame needed to implement an administrative changeover. If these issues were not resolved, the administration would likely go the way of the Miyazawa "Full-Fledged" Administration notwithstanding that the coalition government had been founded on the talent and influence of many. Even if a restructuring aims for more than what our current political parties can give us, we are bound to find that there are skeptics among us and more of them on the way. A reorganization of political parties does not mean that "everything is going to be hunky-dory". We can bring politicians together, but we will not create a new political party unless those politicians have ideologies and values in common. Differing opinions on government policies will mean a split in the party. If we can eliminate the differences of opinion between political parties on government policies and be left with the differences of opinions within a party, then we will have an opportunity to reorganize our politics. We would have to wonder, however, whether there are differences of opinion on government policies within the Liberal-Democratic Party these days. There have been differences of opinions between the factions within the party; it is commonly known that the administrative control has changed hands from faction to faction, from Kishi to Ikeda, and from Tanaka to Mitsu. However, the good that came of the factions within the LDP was that successors were born within the Liberal-Democratic Party as a result of the diversification and opposition when there was the conservative multi-party system prior to a conservative unification. As the leaders who understood the political arena prior to the conservative unification begin to take a back seat, we find that the members of the Liberal-Democratic Party have been streamlining their opinions to match the opinions of fellow members in the party, and, consequently, there has been less opposition on government policies. I offer that fact on the question of whether differences of opinions with the LDP exist. Although our politicians in the Liberal-Democratic Party have been

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talking about reorganization of the party, they are probably at a loss about what they really should be trying to do and what sort of new party they should take part in.

Are All Members of the Majority Party Aware of Their Task?

In that the Liberal-Democratic Party has been the party in power almost ever since it was established nearly forty years ago, the politicians in the LDP would be very vulnerable to chaos that could come with a reorganization in the way that business is handled in the political arena. Members of the Liberal-Democratic Party are concerned with keeping their positions and expanding their influence, and that is what politics primarily is to them. They conduct their business by using the authority and prestige of the government that is inherent to being a member of the majority party. Most of the "in-crowd" representatives are members of the majority party; therefore, those politicians have close relationships with bureaucrats in the administrative agencies. The members widen the breadth of their influence by collecting information on, and expertise in, government policies.

Few members of the LDP could perceive the notion of representatives doing their jobs based on government budgets, authority, and information without any connections whatsoever. I doubt that many members of the Liberal-Democratic Party would risk an ouster from government service in the turmoil that would come with a political reorganization. If political parties were to be reorganized, including a reorganization of the opposition parties, there would have to be a common base and communications between the majority and minority parties, and that base and communications would have to stretch beyond boundaries set by political factions. Most of the representatives of the majority party, however, do work through the sections of the government where they are known as the "in-crowd" representatives. The contact between the bureaucrats and those representatives is done in an unofficial manner, such as the Liberal Democratic Party Government Review Board, which is not a part of the Diet, rather than on an official basis, such as through committee review boards that are a part of the Diet. Thus, even though the Diet is organ from which the members of the majority party derive their power, the Diet is not the main setting for their activities, and that is a fact. In the current system, the Diet is the place where the members of the majority party pass bills and budget proposals without opposition or problems; what is important is to avoid doing anything in the Diet that might particularly catch the public's eye. It is noteworthy that the Diet is not able to fulfill its role and authority as "the highest organ of the State" as effectively as it should in the various aspects involved with review of bills and the drafting of policy. The theme of "reform of the Diet", however, has not been brought up at all when political reform is mentioned; this might imply that all of the politicians do not fully realize that they are framers of legislation, which is

more than being a member of the majority party. If discussions cannot crisscross party lines, political parties cannot be reformed.

New Parties Catering to Consumers Lack Strategies

Some individuals have proposed that new political parties tailored to serve urban dwellers should be organized. Parties of that nature would be the antithesis of political parties that have been organized for the interests of producers, such as farmers or industrial groups. Kenichi Omae is typical of theorists whose opinions are broad enough to envision such parties. This notion is appealing to citizens who are fed up with the current political factions; yet, the difficulty is that such a concept lacks a specific strategy necessary to dissolve the current political cliques held together by an objective to serve producers. The opposite of production is consumption, but life consists of the pairing of production and consumption. Individuals tend to be more alert to the benefits of production than they are to the benefits of consumption. What's more, politicians tend to rely on producers more than they do on consumers. The reason is that food prices may drop or airline fares may go down, but such decreases, albeit a benefit to the nation as a whole, do not mean that the individual lifestyles of consumers will improve dramatically. We can compare the size of the benefit with the cost of political campaigns (elections, political contributions, and other cost factors) designed to sway government policies to focus on the interests of consumers. The benefits obtained, however, might well be lower than the costs involved. A political structure tailored to the interests of the consumer would therefore have its pitfalls. In contrast, there are those that make a "living" from the regulations on entry into markets for small business people. The benefits obtained by keeping government policies in favor of producers are very great; therefore, those involved have created the political structure and do what they have to do even though there is a price to be paid. Especially noteworthy are the medium-sized voting districts in the current House of Representative elections. In those elections, the candidates tend to believe that it is wiser to depend upon small numbers of special interest groups which have well-defined opinions and motives than to try to woo large number of voters whose opinions can be swayed. This is because in medium-sized voting districts candidates can win elections if they take 20 percent of the entire vote. In short, candidates do not have to have the support of a great number of voters; rather, the politician's campaign strategy is to win about 20 percent of the vote by acquiring a solid support base and adding a variable voter block to it. Politicians will therefore need the support of producer groups. Abolition of medium-sized voting districts will therefore be an absolute prerequisite to establishment of new parties to serve the interests of consumers. If a system of representation were implemented where there would be true proportionate representation, the easy argument that it is difficult to organize parties to serve the interests of consumers could

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probably be squashed. In any event, absent a fundamental reformation of the political system, it will be impossible to establish new parties catering to the interests of consumers.

The LDP Has Forgotten Its Mission

So far everything that I have said about the possibility of reorganizing our political parties has been negative. Political parties in themselves have been emasculated within Japan's present political framework, and the information in this article reflects that fact. Instead of discussing reorganization, what we first should do is get to the essence of what our existing political parties are and what a political party that will be substantial enough to support a democracy led by a Diet will specifically be. The most noteworthy feature of Japan's politics since World War II has been that in Japan there has been no transfer of power from one party to another party in almost forty years. Firstly, we have the Liberal Democratic Party, the majority party, and it has been the prototype for the administration of our nation in that it has been the ruling party for nearly forty years. That has significantly harmed the ability of the party to formulate government policy and has made the party less responsive. In a parliament-cabinet system like the one in Japan, the politicians in the majority party are closely involved in the drafting and implementation of policy through the administrative agencies. In systems where ruling parties readily change, the politicians and the bureaucrats will not have been working together so closely for so long a time; however, in nations dominated by one party, like Japan, long, cozy relationships exist between the ruling party and the bureaucrats. The word "party" means the Liberal Democratic Party to a bureaucrat. The bureaucrats, therefore, are naturally endeavoring to obtain the support and the cooperation of politicians in the Liberal Democratic Party so that laws will be created and budgets increased within their personal spheres of influence. This "in-crowd" system has, of course, helped bureaucrats at every level of government create "colonies" within the majority party. The result is now "party—first; government—second". A very typical example would be the relief for small- and medium-sized sole proprietorships through an abridged tax system at introduction of the consumer tax. Politicians will especially wield their power when the fine points of a system will work to the advantage or detriment of the groups from which they derive their support. However, it is only after the bureaucrats have set the stage so that the framework for policy can be drafted and the politicians can be given all the credit that the politicians in the Liberal-Democratic Party are able to make a show of their influence in policy decision-making. We can look at it the other way around too. When disputes arise because the jurisdiction between administrative agencies has not been clearly delineated, or when the administrative agencies cannot make a satisfactory draft of a bill, such as economic friction, or in political reform, we have issues that are inherent to the Diet. When issues do not involve administrative

agencies, however, the majority party does not have the capacity to draft the government policies or promote them. This means that political reform is a problem that cannot be handled in a system ruled by the Liberal Democratic Party. The theory of organization and recruiting methods of political parties are different from those of the administrative agencies, and the roles that the two play in ruling the nation are distinct from each other. The features of the bureaucracy system is that it tries to ensure that the system will remain stable and continue because of the specialized knowledge and expertise available only from the specific agency and because the agency itself is stable. In contrast, new politicians can be born in elections and they represent the nation directly. They therefore map the course of reform in government policies in response to what the people expect and changes taking place in the world in general. The job of drafting specific government policies must be done by the bureaucrats. Leaders of the majority party, however, must display their leadership abilities in changing the sectionalism of the bureaucracy system and breaking down "form over substance". The Liberal-Democratic Party, however, has been in power for a very long time; as a result, the party has become too dependent upon the administrative agencies. What I mean here is that the party has forgotten its basic mission. The party is no longer independent, it is unable to discern where the problems in policy lie, and it no longer has a firm, reliable stance to turn to for guidance on how to go on issues.

Acquiring the Necessary Insight

We probably do not need a long, detailed explanation of changes in opposition parties, and we are talking about the Socialist Party here too, that have come about because those parties have remained minority parties. A political party is an entity looking to become the ruling party and it is competitive. In Japan, however, the Socialist Party has been relegated to the position of a small/check party; for that reason, political parties have not been competing with each other to gain an administration. The nation's political elections, therefore, are not broad in scope, and that has robbed Japan's politics of a dynamism to evolve government policies. Political parties are able to function as independent governmental bodies; therefore, we would wonder whether a coalition will be able to reorganize the political parties. It is hard to imagine that a new party will be so superior in its capabilities that it can rule a nation if the deflated members of the same political party constitute that new party. What we need for the kind of political reorganization to be undertaken would require individual politicians to be freed from the machinations of the political structure and the administrative agencies so that they can forge a politician's concept and insight. For that end, the representatives must be released from the bounds of party decisions and be allowed to formulate government policy in debate with fellow representatives. That will be the start of acquiring the know-how in decisionmaking. Opinions are divided within the Liberal-Democratic

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Party and within the Socialist Party on how and when the system will be reformed in the political reform, although there are several distinguished politicians who have voiced sound arguments individually. Thus, we still do not have before us a proposal that adequately reflects the opinion of the party as a whole. There are party-decision restrictions as well as the image of a traditional inflexible party platform. An opinion that reflects the consensus of a party cannot be produced, and that is why political reform is likely to come later rather than sooner. If that is the case, maybe it would be a good idea for us to argue that the politician, not the political party, is the unit. That would be a tidy way for us to rid ourselves of all the obstacles that political parties bring with them, such as the calling of a special session of the Diet to handle the political reform and the academic debate on the proposals for reform. It would be the politicians who would get down to the business of discussing the issues to make the ultimate decision on the many systems to support. Such discussion would enable politicians to forge concepts and networks of communication between politicians that go beyond the restraints of conventional political factions and cliques because they would be expressing their personal beliefs and opinions on what a democracy is. A network so created would be the core of a reorganization of political parties. Prior to the formation of the system in 1955, politicians primarily did their business in the Diet during the days when it was popular for government affairs to be handled by alliances of political parties. The politicians then probably had much less knowledge about, or expertise in, drafting government policy than the bureaucrats had. The issues that the politicians had to deal with, however, were different from the ones that the bureaucrats had to handle. Specifically, politicians were involved in matters relating to the theory of the system and what the basic framework of policies would be. For once it was possible for alliances to be formed among political parties under the aegis of "ignore petty differences to work for the common good", and there were recurring discussions and debates among politicians as well.

We now realize what the limitations of the 1955 system are, and, therefore, we have to get the politicians back into the Diet again using the theme of a reorganization of political parties so that they will deliberate on issues inherent to politics. Japan has been confronting a revitalization of democracy in its system and issues that are conceptual in nature because Japan is better off than most nations. That has made this inevitable.

New Dividing Lines on Government Policy

I conclude with some insights into where we might find differences of opinions on government policy if political parties are reorganized as they should be. The black-letter dividing lines of capitalism or socialism, which we had years ago, certainly no longer apply to Japan. What's more, I wonder what sort of political factions will be able to agree on, and support, major outlines of government policy on domestic and international matters in that those policies will include the structuring of an economic

community where the consumer is the focal point and ideas of greater contributions to foreign nations because Japan has the economic capability to do so. We have to ask ourselves how much leeway can there be in the selection of governmental policies before new political parties will branch off. Different notions of how Japan should fit in with other nations could be a dividing line. It is apparent that the light-armed plus economic growth course along with the dependence on the US-Japan Security Treaty, to which a conservative mainstream has been adhering since World War II, can no longer continue. The end of the cold war spelled the end to the historical mission of the US-Japan Security Treaty, and now that we no longer have that purpose, Japan has several options from which it can select when it considers how to deal with other nations on a day-to-day basis. As reported by the Ozawa Research Committee, which was mentioned previously, Japan has rid itself of the restrictions placed upon the country at the end of World War II. As a result, an alternative for the nation would be to try to return to a status of ordinary power in the international community. In contrast, Japan could structure a resistance power in an effort to mold the vision of Japan as "Civilian Power", as Yo'ichi Funahashi puts it, into a tangible form. Into the nation have come foreign labor and values from other cultures that are different from traditional Japanese values. As we see this happening, serious conflicts in thought on the relationship between Japan and other nations has occasionally sparked nationalism and protectionism. Thus, we now run the risk that slogans of "foreigners out", as has sometimes been found in Europe and the southern part of the United States, could leave their mark here; "a Japanese that can say 'no'" would seem to indicate that that trend is growing in Japan too. That has been the most vexing problem for Japan, a country under pressure for a reorganization of political parties in the 1990s. So that there can be a reorganization of political parties that will conform to the basic tenet, a rebirth of democracy, the people of our nation will have to take a close, hard look at politics and get involved.

Defense Agency Postpones AWACS Purchase Plan

OW1507104792 Tokyo YOMIURI SHIMBUN
in Japanese 13 Jul 92 Morning Edition p 1—FOR
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[Text] In connection with the purchase of the airborne warning and control system (AWACS), that has been the backbone of plans to introduce new military hardware, the Defense Agency has finally decided not to include a budget requirement for the purchase of the AWACS in the preliminary budget request for fiscal year 1993.

The agency plans to make the preliminary budget request in July. This was disclosed by a Defense Agency source on 12 July.

The agency plans to purchase the AWACS that Boeing Company built by renovating B-767 aircraft. The U.S.

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side, however, has set a price tag of 61 billion yen each and this is nearly twice the cost of the E-3-type AWACS the agency originally planned to purchase for approximately 32.5 billion yen.

The agency has now decided to exclude from the preliminary budget request the purchase of the AWACS after concluding that it will be difficult for it to have the price problem resolved before it makes the preliminary budget request.

The U.S. side, however, is expected to offer a new price tag soon. There is a possibility the price of the AWACS may go well below 60 billion yen through cutting development costs. If the U.S. side offers an appropriate price tag, the agency plans to make an additional budget request by the end of this year out of consideration for the United States.

Under the current Defense Buildup Plan (from 1991 to 1995), the agency plans to purchase four AWACS. Of them, the agency originally planned to allocate a budget requirement for the purchase of two AWACS during this year's budget. The U.S. side, however, has put a price tag of 70 billion yen, 80 billion yen, or 100 billion yen for E-3-type AWACS, citing the cost required to bring production lines back to operation.

For this reason, the agency, that originally estimated the price of the E-3-type AWACS at 32.5 billion yen each, has scrapped the plan and started working on the selection of alternatives. As a result, the agency decided to exclude from the budget the purchase of the AWACS both in 1991 and 1992.

Government To Review Nuclear Power Policy

OW1307023692 Tokyo NIHON KEIZAI SHIMBUN in Japanese 12 Jul 92 Morning Edition—FOR OFFICIAL USE ONLY

[Received via Nikkei Telecom data base]

[Text] The government will shortly undertake a review of the "Long-Term Plan for Atomic Energy Development and Utilization (Chokei)," which sets forth the basic nuclear power policy. In view of the dramatic changes in the international situation in relation to atomic energy, the basics of the policy on nuclear power will be discussed. The research and development of thorium—which is in less danger of being hijacked than plutonium—as an unexplored source of nuclear energy will be a new item on the agenda. The discussions will promote a broad evaluation of new potential nuclear power technology, and its research and development.

The Atomic Energy Commission (chaired by Director General Tanigawa of the Science and Technology Agency) will set up a "Specialist Committee on the Long-Term Plan for Development and Utilization of Atomic Energy" to review the Chokei. The committee is expected to begin substantial discussions in September.

In relation to the transport of plutonium fuel to the fast-breeder reactor "Monju" (Tsuruga City, Fukui Prefecture), the possibility of nuclear hijack [kakujakku] and accidents en route has become a controversial issue. This is because plutonium itself is extremely toxic, and can easily be used to produce nuclear bombs.

On the other hand, in the thorium nuclear fuel cycle, thorium is converted into uranium-233 and used as fuel. Uranium-233 is a form of radiation with very strong gamma rays. It is impossible to use uranium-233 to produce nuclear bombs without a national-level facility. Moreover, even if it is hijacked, its strong radiation makes detection very easy, and thus, is difficult to conceal.

While basic research on the thorium nuclear fuel cycle is going on in various countries, vigorous development has not progressed because the uranium and plutonium nuclear fuel cycles are already operational.

Editorial Views Setbacks for H-2 Rocket

OW1007133392 Tokyo MAINICHI SHIMBUN in Japanese 10 Jul 92 Morning Edition p 5—FOR OFFICIAL USE ONLY

[Editorial: "H-2 Rocket Needs To Be Developed With Patience"]

[Text] It has been decided to postpone the launch of the H-2 rocket for one year. The launch of the rocket—developed independently by Japan as a next-generation mainstay, large-type rocket—was originally planned for next February.

In April Mr. Koichi Wakada was chosen as Japan's second astronaut; Mr. Mori, the nation's first astronaut, will fly on a U.S. shuttle mission in September. The postponement of the rocket launch will unquestionably throw cold water on Japan's enthusiasm for space development.

The National Space Development Agency [NSDA] has thus far developed the N-1 rocket, the N-2 rocket, and the H-1 rocket using technologies introduced by the United States. NSDA and the Science and Technology Agency have planned to "independently develop rockets to put foreign nations' satellite in orbit."

The independent development of the H-2 rocket is found to be far more difficult than anticipated. Japan has spent 260 billion yen and seven years developing the H-2 rocket. In fact, Japan has walked thorny brambles.

The LE-7 is the main engine of the H-2 rocket. The engine is of very good performance and uses liquefied hydrogen and oxygen as fuel. Developers of the H-2 rocket have tried to introduce a two-stage ignition system modeled after the U.S. space shuttles. The main feature of the rocket is that it uses less fuel to launch heavier satellites in orbit. In fact, the rocket is capable of putting a two-ton satellite in orbit.

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This ambitious development plan has caused one problem after another. In 1989 it was decided to put off launching the H-2 rocket for one year. Since the beginning of this year, combustion tests on the LE-7 engine have resulted in a series of failures. However, in June the launch of the H-2 rocket was successful, and a 365-second combustion test of the LE-7 engine was successful on two occasions. However, the LE-7 engine exploded during a 10-second combustion test on 18 June. The cause of the explosion is believed to be a crack in the welding on the fuel pipes that send hydrogen to the main fuel area.

The National Space Development Agency has decided to postpone the launch of the H-2 rocket for another year after concluding that it needs to conduct a full check of the weldings and to review part of the engine design. If the agency recklessly pushes for the launch, this would cause problems at the final stage. The agency has made an appropriate judgment.

There is a view among Japanese rocket experts that the "agency should seek to build a simpler engine similar to that of the U.S. space shuttle." To be sure, Japan's rocket technology lags that of the United States. However, now that the development of the H-2 rocket is in the final stage, Japan cannot back out of its development.

The H-1 rocket was used to place the "Fuyo No. 1" weather satellite into orbit in February, but Japan has no other rockets capable of putting commercial satellites in orbit, and will be unable to do so within the next year and a half.

What is of immediate concern is how to put another weather satellite in orbit. "Himawari No. 5," the next satellite, will be put in orbit in February 1995, a year later than planned. The life span of "Himawari No. 4"—currently in orbit—was originally scheduled to last until 1994, but it can last until 1995, which is fortunate.

Rocket System, a company contracted to launch the H-2 rocket, aims to embark on an international satellite business. In the face of the faltering H-2 rocket development, the company laments that "under this situation we cannot promote business." Full preparations for the launch of the H-2 rocket are a sure way to bolster confidence in the rocket. The roundabout way may be inevitable.

Mitsubishi Heavy Industries, Ltd. has been developing the LE-7 engine, and Ishikawajima-Harima Heavy Industries Company has been developing the turbo pump—the heart of the engine. It is said that supervision by the National Space Development Agency has been insufficient, and the two manufacturers have engaged in no close technical consultations. These questions will need to be resolved in the future.

We hope the H-2 rocket will be developed with patience, and the launch of the rocket will no longer be postponed in the future.

Industry Reduces Plant, Equipment Investment

922A0262A Tokyo KINYU ZAISEI JIJYO
in Japanese 4 May 92 pp 64-67—FOR OFFICIAL USE ONLY

[Article by Takao Yumoto, Bank of Japan Research and Statistics Bureau researcher: "Prudent Optimism on Medium-Term Basis Is Necessary"]

[Text] The fiscal year 1992 survey on plant and equipment investment programs by various survey organizations reveal that they are generally suppressed at the present stage centering on the manufacturing industries. In particular, regarding investment in manufacturing plant and equipment, which is about 10 percent lower than the previous year, a somewhat pessimistic mood appears to be on the rise due partly to the impact from the asset price decline including stock prices and land prices. The purpose of this article is to sort out a variety of manufacturers within the framework of stock adjustment, and to present an outlook on the future trend.

Optimistic and Pessimistic Arguments

At present, it is probably accurate to say that plant and equipment investment in the manufacturing industries is pointing downward, based on seasonal corporate statistics and advance indicators. In particular, regarding advance investment by the manufacturers, we find a mixture of optimistic and pessimistic views. The following are some typical arguments.

1) Surplus production capacity from the standpoint of the working ratio and the plant and equipment judgment DI [diffusion index] is small, and adjustment remains light. 2) Corporate needs for laborsaving, rationalized investment and R&D investment continues to be strong, and such independent investments will continue to serve as the pillars of investment. 3) As is symbolized by the recent depressed demand in electronics, a kind of refracted and walled-in mood has set in within the industrial circles as far as anticipated growth is concerned. Such a mood indicates a deep and long-term adjustment of investment. 4) The burst of the bubble is impacting on various areas of the economy, and it is changing the investment atmosphere (rise in financing costs, restrictions on funds procurement, etc). Consequently, the current adjustment will be deep and long-lasting. 5) With the rising trend in fixed costs, there is a beginning awareness of a trend of deteriorating corporate earnings. In order to improve the trend, a reasonable time frame is necessary, and this aspect has also hindered a full-fledged investment recovery.

Among these views, 1) and 2) are relatively optimistic, while 3), 4) and 5) may be considered as pessimistic views that embody an image of medium-term investment stagnation. However, in this writer's opinion, they all tend to be either overly optimistic or overly pessimistic.

Therefore, we will attempt to clarify present manufacturing plant and equipment investment based on the concept of stock adjustment, while keeping the current arguments in mind.

No Medium-Term Stagnation Found

In order to position current plant and equipment investment in manufacturing within the concept of stock adjustment, two standpoints are necessary. One is the medium-term trend, and the other is the cyclical range. Actually, in retrospect, the capital stock of the manufacturing industries after 1980 has been stipulated by the trend factor of the upswing growth rate and the cyclical fluctuations caused by it.

Based on such a framework, we will first look at the growth rate trend of medium-term capital stock. Generally speaking, the growth of medium-term capital stock is considered to be determined by two factors—the medium-term anticipated growth rate and the growth of the capital coefficient. Among them, the argument of a medium-term investment stagnation mentioned in item 3) at the outset may be seen as a view that the trend of the capital stock increase rate may perhaps refract downward with the drop in anticipated growth.

It is inherently quite difficult to measure the medium-term anticipated growth rate. If we look at the "questionnaire survey on corporate activities" by the Economic Planning Agency as one indicator, this year's survey clearly shows a drop in anticipated growth during the past three to four years. Of course, because such a forecast is influenced by the actual growth at the time, there is a tendency for it to fall when business enters an adjustment phase. For example, a comparison with a similar phase in the past shows that a drop in the present growth forecast seems smaller than the differential in the yen-adjustment period. Based on this, it seems at the present that, regarding the corporate growth forecast, there is a lack of proof to determine that a downward refraction is definitely setting in.

Rise in Capital Coefficient To Continue

Next, a look at the capital coefficient as another factor stipulating the trend of the capital stock growth rate shows that, since 1980, the coefficient has been on an uptrend, reflecting the substitution of capital for labor. Such a rise of the capital coefficient is considered to have been the chief factor for the rising trend of the capital stock growth rate since 1980.

The problem is whether or not the rise of the capital coefficient will continue in the future. Certainly, based on the investment program for this fiscal year, labor-saving investment is currently a target for suppression, and is expected to be lower than the previous year. However, despite the fact that such a movement will inevitably arise during a short-term adjustment process, it cannot necessarily be considered to indicate a change in the long-term trend. In fact, from a somewhat long-term standpoint, not only is the labor supply growth

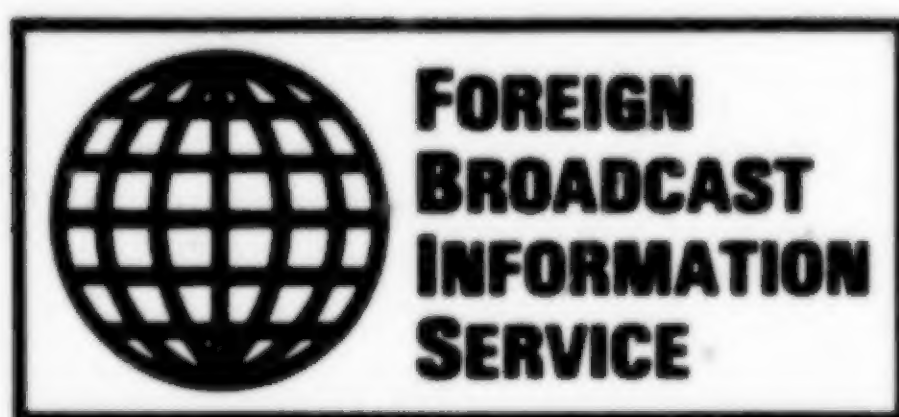
expected to decline, but also the need for capital as a substitute for labor is expected to strengthen rather than weaken due to the trend toward shorter work hours. Consequently, from a medium-term standpoint, there is a strong chance that the rising trend of the capital coefficient will continue in the future.

Therefore, it is difficult to foresee whether the corporate growth expectation rate is refracting downward. Meanwhile, it is conceivable that the capital stock growth rate will be a continuing factor in a rising trend in the future regarding the rise in the capital coefficient. Therefore, in a long-term sense, there is somewhat a lack of proof to say that the average growth rate of capital stock has clearly refracted. It seems more reasonable at the moment to consider that there is an ongoing medium-term axial undercurrent which supports investment.

Adjustment Necessary for Short Term

Meanwhile, a look at the short-term cycle which influences the immediate investment picture shows that, at present, the capital stock growth rate has reached nearly 9 percent and is at a very high level, even taking into account the aforementioned rising trend of the capital stock increase rate. Therefore, considerable pressure is undeniably mounting for a cyclical adjustment. Amid these circumstances and given the recent marked decline in corporate earnings, there is a strong possibility for a capital stock adjustment at a fairly fast pace.

On the other hand, such views as the aforementioned item 1) that, "judging from the high level of the working ratio, pressure for adjustment is not so strong" is still being heard. Certainly, if stock adjustment is interpreted as stemming purely from the gap between supply capability and demand, this can also be affirmed up to a point. However, regarding such views, the fact that investment not linked to capability can also be a target of adjustment in the earnings decline phase, appears to be taken too lightly. In other words, amid the considerably high level reached by stock expansion in the recent investment expansion phase, productivity growth remains low, and this suggests an accumulation of a considerable amount of nongrowth stocks during this period. Of course, a portion of this may consist of laborsaving investment and R&D investment which contribute to corporate earnings even without linkage to productivity (i.e. a portion that can be explained by a rising trend of the capital coefficient). However, amid the continuing high growth and the high earning ratio, it is possible that the judgment concerning investment profitability was relaxed somewhat, and there is an aspect in which a portion of the capital stock created under such lax judgment concerning profitability was not, in retrospect, linked to expected earnings, but probably accumulated as somewhat inefficient capital stock. Under the present increasingly severe earnings circumstances, it is more natural to conclude that not only growth investments but also the overall stock, including somewhat inefficient investments, are targets for adjustment.



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Upcoming ASEAN Ministerial Meeting Previewed

*BK1407131792 Jakarta ANTARA in English 1059 GMT
14 Jul 92*

[Text] Jakarta, July 14 (OANA/ANTARA)—Indonesian Minister of Foreign Affairs Ali Alatas said that the ASEAN Ministerial Meeting (AMM) which will be held in Manila next week, is to elect a new ASEAN secretary general who has a powerful role in dealing with ASEAN affairs.

The ASEAN's foreign ministers have agreed at the ASEAN summit held early this year to elect an ASEAN secretary general which will have greater power, Ali Alatas said here on Tuesday.

The minister said that the new ASEAN secretary general elected at the July 22-23 meeting, will replace Rusli Noor of Indonesia, whose three-year term ended earlier this year.

The Association of Southeast Asian Nations (ASEAN) consists of six countries—Indonesia, Malaysia, Brunei, Thailand, Singapore and the Philippines.

Minister Ali Alatas said that at the meeting, there would also be some changes in the association's structure, including increasing the secretary general's powers and extending this terms to five years.

The minister said that by now there are candidates of the new secretary general, they are from Malaysia and the Philippines.

ASEAN, which plays a key role in bringing warring factions in Cambodia to the negotiating table, plans to invite the head of the United Nations Transitional Authority in Cambodia (UNTAC), Yasushi Akashi, to Manila.

The meeting will be followed by a three-day conference so called Post Ministerial Conference (PMC) with ASEAN's six major trade partners—the United States, Japan, Canada, the European Community, Australia, and New Zealand.

Russia, China, Laos, and Vietnam have also been invited to the conference.

The minister also said that the six foreign ministers of the ASEAN will discuss the disputed Spratly Islands and other security matters during meeting.

Six countries, including Malaysia, Brunei [words indistinct] three non-ASEAN countries which claim the islands are China, Taiwan, and Vietnam.

Tensions over the Spratlys rose after China signed an agreement with a U.S. oil company earlier this year to search for oil off reefs Vietnam claims are part of its continental shelf. China and Vietnam fought a naval battle over the islands in 1988.

Malaysian Minister on East Asian Economic Caucus

*BK1407073492 Kuala Lumpur Voice of Malaysia
in English 0600 GMT 14 Jul 92*

[Text] Malaysia feels a stronger Southeast Asia resulting from interlinkages will undeniably lead to stronger economies in the region. This in turn will be the basis for political stability in Southeast Asia and its neighbors. International Trade and Industry Minister Datuk Sri Rafidah Aziz points out that it is this rationale that prompted the formation of the East Asian Economic Caucus, EAEC.

Addressing the Australian National Press Club in Canberra, she said the proposed EAEC was aimed at looking at how East Asia's linkages can be brought about, while maintaining and upgrading relations with others. She emphasized that the proposed EAEC is not a closed club and will not be close to the interests of any third country which envisages its objectives when it becomes a reality. This is why Malaysia fails to understand why the EAEC which caters for both regional and global interests is given a rebuff, while others with similar aspirations like the EC, NAFTA [North American Free Trade Area], APEC [Asia-Pacific Economic Cooperation], and [name indistinct] are given a positive nod.

Datuk Sri Rafidah hoped that Australia will understand the true concept and rationale underlying the proposed EAEC and the need for East Asia to expand its interlinkages as a supplement to its continuous and growing interlinkages either bilaterally, regionally, or multilaterally. She said Malaysia acknowledges the current thinking and policy changes in Australia regarding Asia, which will have a bearing on Malaysia's future within the room of East Asia.

Japan**Follow-Up Meeting on SII Agreements Ends***OW1407235092 Tokyo KYODO in English 2309 GMT
14 Jul 92*

[Text] Tokyo, July 15 KYODO—The United States expressed concern in two days of bilateral trade talks that ended Tuesday about Japan's antimonopoly law, Japanese officials said.

In the working-level meeting, a follow-up to the 1990 Structural Impediments Initiative (SII) agreements, U.S. officials urged decontrol of nonlife insurance premiums and of minimum charges at hairdressers and beauty salons, they said.

Under the SII process, Japan has pledged to strengthen its antimonopoly law, which has not been applied to such businesses.

A bill to revise the law by raising the maximum fine on corporate violators to 100 million yen from the present 5 million yen was debated in the recent Diet session, but was carried over to the next session due to a lack of time.

The U.S. negotiators also asked Japan to implement such land and housing policies as to bring down the price of houses to less than five times the average annual salary as part of a new five-year economic program aimed at improving the quality of life, the officials said.

The two countries will work out the second annual report summing up the SII talks at a subcabinet-level meeting scheduled for July 28 and 29 in Tokyo.

MITI: Government Urged To Buy Foreign Goods*OW1507120592 Tokyo KYODO in English 1129 GMT
15 Jul 92*

[Text] Tokyo, July 15 KYODO—A European executive suggested Wednesday that Japan use 2 or 3 percent of its supplementary budget directly to procure foreign goods, a Ministry of International Trade and Industry official said.

Jean-Louis Claudon, Asia Pacific representative of Arianeespace, made the suggestion at the third import board meeting, set up in 1990 under the Trade Conference, an advisory body to the prime minister, to hear foreigners' opinions on expanding imports to Japan, the official said.

The supplementary budget, expected to be compiled in the fall, is to be the centerpiece of 6 trillion to 7 trillion yen worth of pump-priming measures proposed recently by the ruling Liberal Democratic Party.

Joseph Gorman, chairman of U.S. high-technology firm TRW Inc., urged the Japanese Government and businesses to work out an "import vision" to make a positive appeal to the entire public about imports, the official said.

The Japanese side warned that if such vision includes specific figures, it could be managed trade, he said.

The meeting, attended by foreign and Japanese business leaders and directors general of ministries concerned, agreed to have additional smaller ad hoc gatherings to discuss specific subjects, the official said.

Talks on Peace Treaty With Russia Open 15 Jul*OW1507012992 Tokyo KYODO in English 0106 GMT
15 Jul 92*

[Text] Tokyo, July 15 KYODO—A second round of working-level talks aimed at forging a Japan-Russia peace treaty opened here Wednesday with focus on the bilateral territorial dispute and Russian President Boris Yeltsin's scheduled visit to Japan in mid-September.

Deputy vice minister for foreign affairs, Kunihiro Saito, leads the Japanese delegation at the Foreign Ministry for the two-day talks. Russian Vice Foreign Minister Georgiy Kunadze heads the Russian team.

Kunadze, in a report from Moscow Tuesday, said he looked forward to progress in resolving the disputed claim over four islands off Japan's northernmost main island of Hokkaido during the negotiations.

Last week, the Russian vice foreign minister suggested the treaty should incorporate a 1956 provision for the return of two of the islands to Japan in an effort to unlock the stalemate that has prevented Tokyo from signing a peace treaty with Moscow for four decades.

In the Tokyo talks, negotiators are expected to attempt to reach an agreement on the territories or a collection of materials that can be signed during Yeltsin's visit in September, and consider the possibility of issuing a joint declaration.

Kunadze, who is scheduled to call on Foreign Minister Michio Watanabe while he is in Tokyo, will also discuss with Saito mutual visits by the foreign ministers.

Fail 'To Make Progress'*OW1507124892 Tokyo KYODO in English 1216 GMT
15 Jul 92*

[Text] Tokyo, July 15 KYODO—Japanese and Russian Government officials failed to make progress toward forging a bilateral peace treaty in their first day of working-level talks Wednesday.

The talks focused on a dispute over four small islands off Hokkaido seized from Japan by the Soviet Red Army at the end of World War II.

Tokyo, demanding the return of what it calls its "northern territories," has never signed a peace treaty to formally end hostilities with Moscow and has refused to provide full-fledged aid.

Japan persuaded six other major industrial nations last week to mention the bilateral dispute in the political declaration of their Group of Seven (G-7) Summit in Munich.

Russian President Boris Yeltsin criticized the brief reference on his way to Munich to meet G-7 leaders.

But Japanese officials were pleased Wednesday that the Russian side, led by Deputy Foreign Minister Georgy Kunadze, did not use the first day of the two-day bilateral talks to blast Japan for pressing its G-7 partners to include the reference in the document.

Instead, Kunadze agreed with Japan that the G-7 mentioned the territorial dispute because it represents practically the last vestige of the past world order and must be resolved to build a new one, the officials said. They said Kunadze accepted Japan's explanation that the reference was not intended as a means of "pressuring" Russia.

The Japanese side, led by Deputy Foreign Minister Kunihiro Saito, agreed with the Russians that the territorial dispute is basically a bilateral issue and that the G-7 reference to it was based on that understanding.

The G-7 leaders said they "welcome Russia's commitment to a foreign policy based on the principle of law and justice" and that they "believe this represents a basis for full normalization of the Russia-Japanese relationship through resolving the territorial issue."

Japanese officials said both sides Wednesday discussed the schedule for Yeltsin's visit in mid-September and reconfirmed that he and Prime Minister Kiichi Miyazawa would hold talks September 14 and 15.

Japan is urging Yeltsin to decide by the time of the visit to return the islands.

Saito reiterated Japan's offer of flexibility on the timing and conditions for return if Russia will agree in principle to hand over all four islands, officials said.

They quoted Saito as saying that in view of Yeltsin's vow to pursue a foreign policy rooted in "law and justice," Japan thinks it only natural that talks proceed from a recognition by Russia of a 1956 Japanese-Soviet agreement that Moscow return the two smallest islands—Shikotan and the Habomai islets—after conclusion of a peace treaty.

Moscow took the promise back in 1960.

Japan also demands the return of Kunashiri and Etorofu islands.

Kunadze explained Russia's situation at length, focusing on the complexities surrounding the territorial issue, according to the Japanese officials. They said the 1956 joint declaration was mentioned but declined to elaborate.

Saito was quoted as saying that while Japan understands that Moscow faces domestic opposition to returning the islands, Russia must understand Japan's strong desire for their return.

He said Japanese public opinion would not allow Tokyo to soften its refusal to give Moscow "unrestricted" aid until the dispute is settled, the officials said.

They quoted Saito as saying despite its restrictions, Japan's aid is "not inferior" to that of the United States and Europe.

Yeltsin recently slammed Japan as "the only country which has not contributed a penny, a half a dollar, or even half a yen to Russia." Japanese political leader Shin Kanemaru retorted Tuesday that giving Russia aid "would be like throwing money in a ditch."

Saito implied Russia could become a full member of the Asia-Pacific region only if it fully normalizes its relations with Japan, the officials said.

Kunadze reportedly countered that it is "incorrect" to link an increased political and economic role for Russia in the region with fully normalizing relations with Japan.

Officials said Thursday's talks will deal mainly with documents to be issued during Yeltsin's visit, including a possible joint declaration.

They said Kunadze would likely meet with Foreign Minister Michio Watanabe, who is expected to hold talks on the territorial issue with his Russian counterpart Andrei Kozyrev before Yeltsin's visit.

Government 'Considering' Emperor's PRC Visit

OW1407234392 Tokyo KYODO in English 2301 GMT 14 Jul 92

[Text] Tokyo, July 15 KYODO—Japan is considering an official visit to China by Emperor Akihito and Empress Michiko in October, the YOMIURI SHIMBUN reported Wednesday, quoting government sources.

The YOMIURI said in a front-page article that the imperial couple's trip to China would last four or five days between October 22 and 27, during which the emperor and the empress would travel to Xian and Shanghai as well as Beijing.

The Japanese Government plans to announce a decision on the trip in early August following the July 26 elections for the House of Councillors, Japan's largest daily said.

Some conservative members of the ruling Liberal Democratic Party are strongly opposed to a visit to China by the imperial couple, which would be the first by a reigning Japanese monarch.

EPA Chief Leaves for Beijing on 5-Day Visit

OW1507023792 Tokyo KYODO in English 0147 GMT 15 Jul 92

[Text] Tokyo, July 15 KYODO—Economic Planning Agency (EPA) Chief Takeshi Noda left for Beijing Wednesday on a five-day visit to China for talks with Chinese leaders, officials said.

Noda will meet Premier Li Peng and other Chinese leaders to discuss China's economic situation and its reforms and open-door policy, the officials said.

He is scheduled to return home Sunday.

Osaka Business Mission To Visit Northeast China

*OW1507074892 Tokyo KYODO in English 0703 GMT
15 Jul 92*

[Text] Osaka, July 15 KYODO—The Osaka Chamber of Commerce and Industry will send a business mission to northeast China in late September, chamber officials said Wednesday.

The mission of about 20 members will study the economic situation in the region in connection with the chamber's proposal to create an economic zone around the Sea of Japan, the officials said.

They said the mission will visit Harbin, Changchun, Shenyang, Dalian, and other cities September 22 to 29 and meet with officials of local governments and enterprises.

Oil Venture To Be Formed With Saudi Arabia

*OW1507102292 Tokyo KYODO in English 0913 GMT
15 Jul 92*

[Text] Tokyo, July 15 KYODO—A planned oil venture between Japan and Saudi Arabia will take shape in January next year, an oil industry leader said Wednesday.

Yasuoki Takeuchi, chairman of Nippon Oil Co., told a news conference that a joint feasibility study on the project is yet to be finished by parties involved in the project. The study is being conducted by four Japanese companies, including Nippon Oil, and the Saudi Government, he said.

"But we will set up a joint venture in January next year at the earliest," Takeuchi said.

The project is designed to build up-to-date refineries in Saudi Arabia and Yamaguchi Prefecture, Western Japan, which are to produce 300,000 and 450,000 barrels of oil per day, respectively.

The Japanese team, also involving Nippon Mining Co., Arabian Oil Co., and Caltex Oil Japan Ltd., a Japanese unit of the U.S. Caltex Petroleum Corp., has already set up a new firm here to manage the project.

A Nippon oil official said it has yet to be decided how the joint venture will be owned among the four Japanese participants.

Mission To Cambodia Submits Report to Miyazawa

*OW1507094192 Tokyo KYODO in English 0927 GMT
15 Jul 92*

[Text] Tokyo, July 15 KYODO—A government fact-finding mission that visited Cambodia from July 2 to 7 submitted a report Wednesday to Prime Minister Kiichi Miyazawa saying Japan should be prepared to respond rapidly to United Nations requests for Japanese peacekeepers.

The report said that preparations should get swiftly under way so that Japan could respond "effectively and in a timely manner" to anticipated UN calls for Japanese peacekeeping personnel.

The report follows last month's passage in the Diet of legislation allowing participation in UN peacekeeping operations by the Self-Defense Forces (SDF).

It proposed that Japan begin laying the groundwork for a large personnel presence in Cambodia by strengthening the Japanese Embassy in Phnom Penh by increasing the number of diplomats stationed there.

The report noted that the survey mission received wholehearted endorsement for Japanese peacekeeping participation from UN Transitional Authority in Cambodia (UNTAC) chief Yasushi Akashi, Supreme National Council (SNC) leader Prince Norodom Sihanouk, Phnom Penh government Premier Hun Sen, and non-communist guerrilla faction leader Son Sann.

The 15-member team, which was led by Tatsuo Arima, chief councilor for external affairs at the prime minister's office, observed the peacekeeping activities of a number of units in UNTAC to see how Japan could best make its contributions.

The report outlined the various activities now being undertaken by UNTAC peacekeepers from 39 countries, but did not make specific recommendations in that regard.

It instead called for the government to send specialist missions to Cambodia to explore in greater depth whether and how Japan could participate in specific UNTAC activities.

Officials said the government plans to send a second fact-finding mission to Cambodia as early as August to look specifically into potential areas for SDF cooperation.

Miyazawa Cited on Peacekeepers, Khmer Rouge

*OW1507060292 Tokyo KYODO in English 0532 GMT
15 Jul 92*

[Text] Maebashi, July 15 KYODO—Prime Minister Kiichi Miyazawa expressed reluctance Wednesday to an early dispatch of Japanese peacekeepers to Cambodia without prior disarmament of the Khmer Rouge.

He made the remarks at a news conference during a stumping tour for the July 26 House of Councillors elections.

Miyazawa said the Khmer Rouge is presently objecting to disarming in the second phase of the United Nations scheme in Cambodia.

The prime minister asserted that this issue must be settled prior to the sending of Japanese peacekeeping missions to the country. The second-stage of the U.N. peacekeeping program aims to disarm—by 70 percent each—the four opposing factions in Cambodia by autumn.

Miyazawa also said concerned countries, and U.N. Chief in Cambodia Yasushi Akashi, should make efforts to restore cooperation among the four feuding factions, which make up a national reconciliation body, the Supreme National Council.

Miyazawa added Japan has been continuing diplomatic endeavors behind the scenes to reach cooperation among the four factions, but did not elaborate further on his statement.

On Japan's controversial peacekeeping cooperation law, enacted last month, Miyazawa ruled out any meetings with opposition party leaders on the issue at least for the time being.

Miyazawa on PKO, Russian Aid, Living Standard
*OW1507103992 Tokyo KYODO in English 1028 GMT
15 Jul 92*

[Text] Maebashi, July 15 KYODO—Prime Minister Kiichi Miyazawa said Wednesday that Japan "is not opposed" to aiding Russia, citing the potential threat if the shaky republic were to collapse.

"If such a big nation collapses, it will pose significant trouble for the whole world, especially for Japan because we are neighbors," Miyazawa said.

He was addressing a campaign rally in Maebashi, 100 kilometers northwest of Tokyo, for two candidates of the ruling Liberal Democratic Party running in the July 26 House of Councillors election to represent a Gunma Prefecture constituency.

Miyazawa said leaders of seven major industrial countries generally concurred at their summit in Munich last week that Japan may be the only country able to provide substantial economic aid to Russia.

"That appears to be why the other leaders were so nice to me during the summit," he said.

But he said it would be hard to win the Japanese people's support for substantial funds until a Russian-Japanese territorial dispute is resolved.

Tokyo has so far refused to provide Moscow full-fledged aid, demanding the return of four Russian-held islands off Hokkaido seized by the Soviet Red Army at the end of World War II.

The dispute over what Japan calls its "northern territories" has prevented Japan from signing a peace treaty and normalizing relations with the Soviet Union, and now Russia.

Miyazawa expressed hope that Foreign Minister Michio Watanabe will meet with his Russian counterpart to discuss the territorial dispute before Russian President Boris Yeltsin's planned September visit to Japan.

Watanabe, recovering from gallstone surgery, resumed partial duties at his Foreign Ministry offices Monday after a 43-day absence.

Touching on a law enacted last month to allow Japanese troops to join United Nations peacekeeping missions [PKO] abroad, Miyazawa said Japan should contribute to UN efforts to repatriate Cambodian refugees.

"This does not mean we are going to send Japanese children to war," Miyazawa said, adding that opposition parties are misrepresenting the law in "an insult of Japanese citizens."

The Social Democratic Party, the largest opposition group, and the Japanese Communist Party, which oppose the law, have promised to make it the centerpiece of the election campaign.

They say the law, which allows Japan to send ground troops abroad for the first time since World War II, violates the country's war-renouncing constitution and could lead to war.

Miyazawa also said his party hopes to improve the Japanese standard of living, enabling "average salaried workers" to buy houses for five times their yearly salary, reducing work hours, easing commuting problems, and expanding sewage facilities to serve 70 percent of buildings from the present 40 percent.

MITI Reports Industrial Production Decrease
*OW1507075592 Tokyo KYODO in English 0639 GMT
15 Jul 92*

[Text] Tokyo, July 15 KYODO—Japan's industrial production in May fell 1.9 percent from the previous month on a seasonally adjusted basis, the Ministry of International Trade and Industry said Wednesday in a revised report.

The decline in output at factories and mines was the first in two months. Industrial production marked a seasonally adjusted 0.1 percent growth in April, after a six-month streak of monthly drops.

On an unadjusted basis, production fell 8.8 percent in May from a year earlier, posting an annual drop for the eighth straight month.

The ministry said it was the biggest yearly drop since the unadjusted 9.4 percent fall in July 1975, and the series of year-on-year declines was the longest in nearly 17 years, since the 20-month streak from May 1974 through December 1975.

Shipments declined in May for the third consecutive month, falling by a seasonally adjusted 1.4 percent from April.

On an unadjusted basis, shipments dropped 6.9 percent from a year earlier, for the sixth successive year-on-year fall.

May inventories increased for the second straight month, rising by a seasonally adjusted 0.4 percent from April.

They posted an unadjusted 5.5 percent rise from a year earlier, after a 6.4 percent growth in April.

Koichi Yoshimoto, chief of the ministry's Statistics Analysis Division, expressed concern over a delay in stock adjustment, saying the adjustment may take longer than initially expected.

Yoshimoto said stocks of consumer goods have piled up, with those of durable goods such as small passenger cars and air conditioners increasing by a seasonally adjusted 1.8 percent in May from the previous month.

He said although shipments have declined, it is necessary to carefully watch the movement in production because of predicted rises in output in June and July based on a survey conducted in early June.

North Korea

North-South 14 Jul Red Cross Contact Reported

SK1407143992 Pyongyang Korean Central
Broadcasting Network in Korean 1300 GMT 14 Jul 92

[Text] The fifth contact between the North and South Red Cross working delegation was held on 14 July in the conference room of the Neutral Nations Supervisory Commission at Panmunjom in connection with the exchange of home-visiting groups of the old parents and art troupes.

At the end of the contact, our side's delegation head said that before discussing the working issues at today's contact our side had once again called on the South side to rectify its wrong positions of shelving the implementation of the North-South agreement and of blocking improvement of North-South relations by using South-North mutual nuclear inspection as a pretext. It also called on the South to take measures on these positions that are acceptable to us and public opinion at home and abroad.

He also said that after accusing the South Korean authorities of turning the repatriation of the old man Yi In-mo, who was a Korean People's Army war correspondent, into a political bargaining chip, our side pressed the South side to explain the wrong stance of the South side's Red Cross which has joined forces with the South Korean authorities. He made it clear that unless the South side repatriates Yi In-mo before the exchange of the home-visiting groups as it had earlier publicly stated, there is the possibility that the South side would cause the exchange of home-visiting groups to be aborted even if working issues were agreed upon at the working contact.

At the contact, the South side, commenting on our side's pressing it to explain the nuclear ruckus and the repatriation of the old man Yi In-mo, said that the South had already given its answers at the Political Subcommittee and the Cooperation and Exchange Subcommittee of high-level talks, thus they made inappropriate remarks in defense of the authorities' unjust position.

In response our side said: Given the South side's behavior, we cannot but be concerned about the future of the exchange of the home-visiting groups. Contrary to their words in the course of the contact, the South Korean authorities once they leave the contact have stated that unless somebody else's nuclear question is resolved, it would be difficult to make any substantial progress in South-North relations. Our side then pointed out that this proceeds from an intention to pursue a deliberate objective to cook up a pretext for worsening relations between the North and South instead of trying to improve them.

Up to now, our side has not even for a moment considered the exchange of home-visiting groups of old parents separately from the repatriation of old man Yi In-mo. Our side condemned the South side's remarks at today's contact saying they are a provocation to the opposing side and amount to a declaration of a breakup of the contact which our side gravely warned against.

After pointing out that the South side officially announced through the press that it is positively considering the issue of returning Yi In-mo to the DPRK and that it will return him to the DPRK prior to the work of exchange of home-visiting group, our side asked the South side why it now abruptly changes its stand.

The South side, taken by surprise by our side's logical argument, said that its speech at today's contact is not a declaration of a breakup on the issue and that the press indiscreetly made a false report about the authorities' official announcement on the issue of the return of Yi In-mo. It tried to place responsibility on the press.

After saying that the South side authorities regard the South side's reporters as liars, our side added that, judging from the South side's stand, it is trying to reject the work to exchange home-visiting groups. Our side repeatedly demanded that the South side reveal its clear stand. However, the South side avoided replying to our side's demand, making clumsy excuses.

Our side again stressed that as long as the South side constantly starts anti-Republic rows on the nuclear issue and as long as it does not return Yi In-mo to the DPRK prior to the exchange of home-visiting groups, the work of exchanging home-visiting groups will end in a breakup.

Discussing a working-level issue, our side stressed that the principle of solution of questions, which both sides should follow, is that first, both sides should be faithful to the points of agreement already reached; and second, both sides should realize the principle and purpose of exchanging home-visiting groups of elderly parents and art troupes.

Owing to our side's just claim, the South side was forced to say that it would withdraw some issues it raised, contrary to the points of agreement.

In sum, after once again clearly revealing our principled stand, our side urged the South side, saying that if it truly

intends to realize the work of home-visiting groups, it should carefully give a positive answer to the questions raised by our side at the next contact, and it should withdraw its unjust claims.

It was decided to hold the sixth round of working-level delegates contact on 20 July.

Reaction To Japanese, Western Nuclear Position

*SK1507060892 Pyongyang KCNA in English
0457 GMT 15 Jul 92*

[Text] Pyongyang, July 15 (KCNA)—A consultant of the Japanese Foreign Ministry, informing the South Korean authorities on July 13 of the "points of an agreement" of the leaders of the 7 Western countries that "relations" between the DPRK and 7 Western countries "cannot be improved" unless the "nuclear problem is settled", claimed that it was confirmed at Munich talks that 7 Western countries expressed their will to "support" the stand of South Korea toward nuclear problem, a Seoul-based report said.

This is an act of instigating the South Korean authorities to confrontation with us and laying an obstacle to the solution of the nuclear problem on the Korean peninsula.

As for the failure to solve the nuclear problem in Korea, it is entirely attributable to the fact that the United States and the South Korean authorities are persistently rejecting the North's demand for an overall inspection of the U.S. nuclear weapons and nuclear bases in South Korea and unreasonably asserting what is not mentioned in the points of the agreement between the North and the South.

This notwithstanding, the Japanese authorities are favouring the unreasonable treacherous stand of the South Korean authorities who, dependent on foreign forces, are avoiding the overall inspection of the U.S. nuclear weapons and nuclear bases in South Korea, while talking about "denuclearization". This tells that they do not want the solution of the nuclear problem and progress of North-South dialogue but throw a wet blanket over it.

Our position is to resolve the nuclear problem and the question of improving the relations with Western countries from an independent stand and not to solve them, even yielding to other's pressure and allowing the sovereignty to be infringed upon by others.

This is the DPRK principled stand and a consistent policy recognized by the world.

If it is true that 7 Western countries, ignoring it, try to put an unjust pressure on the DPRK over the nuclear problem, this will be a wanton interference in the internal affairs of the sovereign state.

Japan's Comfort Girl Investigation Criticized

*SK1507072292 Pyongyang Korean Central
Broadcasting Network in Korean 0021 GMT 14 Jul 92*

[NODONG SINMUN 14 July commentary: "One Cannot Evade Responsibility for a Crime"]

[Text] The Japanese Government announced the results of its investigation into the issue of comfort girls who served the army.

The Japanese Government authorities have concealed the issue of comfort girls—an enormous grave and cruel crime—behind a black curtain for a half century. Since public opinion sternly denouncing this crime has erupted at home and abroad, the Japanese Government was pressured into investigating the so-called truth of the issue.

However, the results of the so-called investigation are extremely preposterous and do not reflect even slightly the crimes the Japanese imperialists committed in the past.

A careful review of the results of the investigation gives a strong impression that they are pursuing insidious goals.

In the so-called results of the investigation, the Japanese Government ignored the responsibility of the old Japanese Government on the issue of comfort girls who served the army. Offering Korean girls as sexual slaves to the Imperial Army after forcibly dragging them away was a big, organized crime which was plotted by the Japanese Government and was executed by the military. Evidence and actual materials have proven this.

According to the KYODO News Agency, a telegram from the commander of the Japanese Army stationed in Taiwan to the prime minister on 12 March 1942 was discovered. One can conclude from this telegram that Prime Minister Tojo Hideki took part in dispatching a manager for comfort girls camp.

Thus, more than just one or two pieces of information and material prove that the emperor and the government took part in the comfort girls operation.

The Japanese foreign minister said he had no choice but to admit the participation of the state in the comfort girls operation at that time. The chief cabinet secretary also recognized the state's responsibility.

When the comfort girls issue was raised, the Japanese Government said the military and government had not participated. However, since undeniable information and materials have surfaced one by one, the Japanese Government recognized the involvement of the former government and military in the operation. After the current investigation, though, the Japanese Government attempted to reverse its position. In other words, the Japanese Government returned to its original position of denying its involvement.

In short, through the so-called results of the investigation, the Japanese authorities pretended it is sincere

about resolving the comfort girls issue. They are, however, actually attempting to evade their responsibility for this issue. Indeed, we cannot help but regard this as the tactics of someone who is skilled in cunning.

Ever since the first round of full-dress talks between the DPRK and Japanese Governments for normalization of diplomatic relations, we raised the comfort girls issue and strongly demanded Japan's sincere apology and compensation.

However, as the announcement of the results of the current investigation shows, the Japanese Government merely said that 127 pieces of material have been confirmed to prove the involvement of the old Japanese army during World War II, but it could not confirm how many and through what method the Korean girls were drafted as comfort girls to serve the army. Thus, the Japanese Government did not reveal all aspects and correct figures.

One cannot find the slightest sincerity and faith in the Japanese Government's attitude toward resolving the comfort girls issue.

The Japanese imperialists' forcible taking of Korean women and making them serve the army as sexual slaves was not natural; it was an organized crime based on a series of regulations, including the regulation on recruitment and use of comfort girls for the army.

This notwithstanding, the Japanese authorities said they could not confirm how many girls and by what method they were taken away as comfort girls. This is a transparent attempt to deceive the people.

Yoshida Seiji, one of the people responsible for forcibly taking comfort girls away, said that the number of comfort girls forcibly recruited under his personal supervision reached more than 1,000, thus testifying that they were virtually arrested.

It is likely that the Japanese authorities feared that the number of comfort girls who were forcibly taken away was enormous and did not want the truth made known to the entire world, and thus they did not even try to refer to testimony, documents, and material which had already been made public.

Those who intentionally conceal a crime can plot anything. However, the plot worked out by the Japanese Government authorities in the so-called results of the investigation is indeed clumsy and poor.

Judging from everything, it appears that the Japanese authorities did not intend to sincerely investigate the truth about the comfort girls issue. Clearly, they merely conducted a nominal investigation, being afraid of public opinion, and attempted to conceal the truth.

If one wants trust, one should show sincerity. However, to our regret, the so-called results of the Japanese Government's investigation did not show even the slightest sincerity. It is no accident that social circles and various

publications in Japan criticized the Japanese Government's investigation as insufficient. The Japanese authorities have repeatedly said that they apologize and have examined their role in the comfort girls issue. However, as the current investigation shows, their remarks were merely empty words.

The results of the investigation have again exposed to the world the kind of morality, conscience, and reason the Japanese authorities have.

The Japanese authorities cannot conceal the barbaric crimes of the Japanese imperialists in forcibly taking away nearly 200,000 Korean women and committing unheard-of sex violations against them.

The Japanese authorities must reveal all of the heinous atrocities committed by the Japanese imperialists against Korean women. They must apologize sincerely and make due compensation for this.

Danish Communist Forum Leader on Reunification

*SK1507044492 Pyongyang KCNA in English
0424 GMT 15 Jul 92*

[Text] Pyongyang, July 15 (KCNA)—Betty Frydensbjerg Carlsson, chairman of the Communist Forum of Denmark, expressed support to the Korean people's cause of national reunification, when she met the DPRK ambassador who paid her a farewell call on July 8.

The Communist Forum fully supports the consistent policy of the DPRK for reunifying the country through a confederacy on the principles of independence, peaceful reunification and great national unity, she said.

For the present, she further said, the Communist Forum will actively wage a campaign demanding that the United States immediately withdraw its troops from South Korea and accept an overall inspection of its nuclear military bases in South Korea.

The Korean people can firmly defend the banner of socialism and confidently advance along its road despite the fast-changing situation because of the singlehearted unity of the leader, the party and the masses under the wise guidance of Comrade Kim Il-song and Comrade Kim Chong-il, she stressed.

CPC Decrees Conferred on Various Figures

SK1407153592

[Editorial Report] The following is a compilation of the DPRK Central People's Committee [CPC] decrees read on Pyongyang Korean Central Broadcasting Network in Korean during June.

An unsigned CPC decree dated 3 June: "Kim Il-song Order" was conferred on Ship Mangyongbong of Marine General Bureau in the Ministry of Marine Transportation, for overfulfilling the national economic assignments and greatly enhancing the external dignity of the

country. (Pyongyang Korean Central Broadcasting Network in Korean 1200 GMT 7 Jun 92)

An unsigned CPC decree dated 3 June: "Kim Il-song Order" was conferred on Mangyongdae disabled soldiers' fountain pen plant, for contributing to providing conveniences to people and developing local industry. (Pyongyang Korean Central Broadcasting Network in Korean 1200 GMT 16 Jun 92)

An unsigned CPC decree dated 16 June: "Kim Il-song Order" was conferred on 15 April Literature Production, for greatly contributing to indoctrinating the party members and the working people in a revolutionary manner by producing a large number of revolutionary novels and other good literary works. (Pyongyang Korean Central Broadcasting Network in Korean 2100 GMT 20 Jun 92)

CPC decree dated 24 June and signed by DPRK President Kim Il-song: "Title of the Army-People Unity" was conferred on Changpung County, Kaesong City, for setting an example in bringing into full play the traditional laudable custom of the army-people unity. (Pyongyang Korean Central Broadcasting Network in Korean 1200 GMT 25 Jun 92)

CPC decree dated 24 June and signed by DPRK President Kim Il-song was issued on "decision to establish order and medal to commemorate capital construction" and "decision to approve regulations of the design and presentation of order and medal to commemorate capital construction" for glorifying labor feat and struggle achievements of capital builders. (Pyongyang Korean Central Broadcasting Network in Korean 2100 GMT 25 Jun 92)

An unsigned and undated CPC decree: "Title of Meritorious Reporter and Labor Order" were conferred on Comrade Song Mu-kyong, commentator of an international department in NODONG SINMUN, for greatly contributing to indoctrinating the party members and working people in a revolutionary manner and to inspiring them to carry out the party's policy. (Pyongyang Korean Central Broadcasting Network in Korean 2100 GMT 25 Jun 92)

CPC decree dated 17 June and signed by DPRK President Kim Il-song: "Title of Meritorious Sports County" was conferred on Kosan County, Kangwon Province, for setting an example in training students and working people for labor and national defense. (Pyongyang Korean Central Broadcasting Network in Korean 1200 GMT 26 Jun 92)

An unsigned and undated CPC decree: "Title of Meritorious Nurse and Labor Order" were conferred on Comrade Son Suk-chin, nurse of People's Hospital in Kosan County, Kangwon Province, for greatly contributing to protecting and improving the health and life of the working people." (Pyongyang Korean Central Broadcasting Network in Korean 1200 GMT 26 Jun 92)

CPC decree dated 17 June and signed by DPRK President Kim Il-song: "Title of Honor" was conferred on construction station of the Pyongyang Municipal Construction General Bureau, for contributing to accelerating socialist economic construction and to improving the people's life. (Pyongyang Korean Central Broadcasting Network in Korean 1200 GMT 27 Jun 92)

CPC decree dated 24 June and signed by DPRK President Kim Il-song: "Title of Labor Hero, Gold Medal, Hammer and Sickle, and Order of National Flag First Class" were conferred on Comrade Kim Chong-suk, instructor of the People's Grand Study Hall, for greatly contributing to national socialist economic construction and to scientific and technological development. (Pyongyang Korean Central Broadcasting Network in Korean 1200 GMT 27 Jun 92)

'New Bills' Minted, Circulated Beginning 15 Jul

SK1407230492 Pyongyang Korean Central Broadcasting Network in Korean 2100 GMT 14 Jul 92

[DPRK Central People's Committee decree on minting new bills issued on 14 July]

[Text] Consolidating the country's monetary system and having an uninterrupted circulation of money is the consistent policy of our party and government. They are also important in rapidly developing the people's economy in a planned way and systematically improving the people's standard of living.

For approximately 10 years, since 1979, when the currency was reformed under the correct leadership of our party and government, our people, under the uplifted revolutionary banner of the *chuche* idea, have accelerated the three revolutions—ideological, technological, and cultural—and thus have made great accomplishments in all fields of socialist construction. Single-minded unity between the party and people has been further consolidated into something invincible; many monumental edifices that demonstrate the *chuche* Korea's might have been built; and the *chuche*-oriented development, modernization, and scientization of the people's economy has been vigorously pushed ahead. Thus, a socialist material and technological basis has been further consolidated.

Because of the superiority of the popular masses-centered socialism of our own style and the might of the socialist self-reliant national economy, all of the people in our country are free from any trouble in life and are equally well off. The state guarantees our people all conditions for material and cultural lives and they are enjoying independent and creative lives to their heart's content.

Under circumstances in which new achievements have been accomplished in socialist construction and in which the country's economic might has been further strengthened, our party and government have enforced momentous policies to increase living allowances for all workers,

technicians, and office workers; to increase the cooperative peasants' income; and to give the people more state benefits. Today, we have the important task of further consolidating money circulation in step with the new reality that, as a result of the vigorous acceleration of socialist construction, the workers' income has increased significantly and the scale of the country's money circulation has been expanding.

To strengthen the country's independent monetary system and have the money circulate more smoothly in step with the realistic demands of socialist construction, the DPRK Central People's Committee has decided:

1. Hundred-, 50-, 10-, five-, and one-won Central Bank bills will be minted and circulated beginning 15 July 1992. They will be called new bills hereafter.

2. New bills will be the only means of payments beginning 15 July 1992, and 100-, 50-, 10-, five-, and one-won Central Bank bills that have been used since they were minted in 1979 will be invalid. They will now be called old bills. However, old bills can be used until 16 July 1992 to pay only for grain supplies and other dire necessities for people's ordinary lives. The one-won, 50-chon, 10-chon, five-chon, and one-chon coins that have been used will continue to be circulated.

3. Old bills will be exchanged with new bills for six days, from 15 to 20 July 1992.

1) Old bills will be exchanged with new bills on a one-on-one basis.

2) To have the money circulate more smoothly and in order to satisfactorily guarantee the people's imminent payments, the limits of the exchange of bills will be set during the period of the exchange of bills; old bills will be exchanged with new bills within these limits; and old bills that exceed these limits will be deposited in central banking organizations and will be withdrawn according to separate rules.

3) Old bills held by state institutions, enterprises, and social cooperative organizations as of 14 July 1992 must be deposited in banking organizations by 17 July 1992, and as much as is needed will be withdrawn in new bills.

4. State institutions, enterprises, socialist cooperative organizations, and citizens will be subject to legal punishment if they circulate old bills illegally or violate regulations and orders concerning the exchange of old bills with new bills.

5. The Administration Council will map out administrative and procedural measures to implement this decree correctly.

DPRK Central People's Committee
14 July 1992, Pyongyang

Seaweed Production Increases in 1992

SK1507104392 *Pyongyang KCNA in English*
1001 GMT 15 Jul 92

[Text] Pyongyang, July 15 (KCNA)—Sea culture is successful in Korea this year. The seaweeds picked these days showed a growth of 6,000 tons above those at the same time last year, of which tangle 4,500 tons.

The aquacultural stations in North Hamgyong Province have expanded the area under tangle and undaria pinnatifida 80 percent and increased the proportion of transplanting 60 percent, thus registering a big success in production.

The aquacultural stations in North Hwanghae Province are gathering in more seaweeds than last year. They have arranged summer seedling grounds with scrupulous care, did sowing qualitatively, concretely surveyed the nutritive conditions of seaweeds and well regulated the depths of the water and nutritive control to suit them.

South Korea

DPRK Vice Premier To Visit Seoul 19-25 Jul

SK1507093692 *Seoul YONHAP in English* 0900 GMT
15 Jul 92

[Text] Seoul, July 15 (YONHAP)—North Korean Deputy Premier Kim Tal-hyon is to visit Seoul on Sunday [19 July] at the invitation of Deputy Prime Minister Choe Kak-kyu.

Kim will be accompanied by nine government officials and will stay until July 25.

During the visit, the North Koreans will contact government and business officials to exchange opinions on ways to promote economic exchanges based on the basic South-North agreement.

Kim will pay a courtesy call on President No Tae-u to personally inform the president of the North's posture toward economic cooperation and other aspects of inter-Korean relations.

The visit is expected to significantly contribute to the resolution of issues such as nuclear inspections and family reunions.

Kim and his party will spend three nights in Seoul, two in Kyongju and one in Pusan, inspecting industrial, marketing and tourism facilities. Among the facilities will be those of the Daewoo, Samsung, Lucky-Goldstar and Yukong business groups.

Their visit was first suggested by the North and working-level officials discussed an itinerary in talks in Beijing in the middle of last month.

"Deputy Premier Kim Tal-hyon's visit is significant in that it will help lay groundwork for mutual trust by enabling senior North Korean economic officials to

observe first-hand our reality prior to the promotion of economic exchanges and cooperation based on the basic South-North agreement," a Seoul official said.

Since the visit was to observe the South's economic situation, there would be talks on principles rather than detailed economic cooperation, he said.

"I understand there will be no discussion of the nuclear issue, one of the hottest questions pending between the two sides," he said.

Another official said that Kim's visit would in effect mark the beginning of inter-Korean economic cooperation.

"The North's decision to send a high-ranking official like Kim to the South at this time, when the nuclear issue remains a stumbling block to inter-Korean exchanges, is suggestive of a lot in the future of South-North relations," he said.

The nine officials accompanying Kim include two vice minister-level economic officials.

Visit 'Purely for Economic Purposes'

SK1507093192 Seoul YONHAP in English 0854 GMT 15 Jul 92

[Text] Seoul, July 15 (OANA-YONHAP)—North Korean Deputy Prime Minister Kim Tal-hyon's visit to South Korea next week does not reflect any fundamental change in Seoul's position that Pyongyang must solve the nuclear question before there is any real progress in inter-Korean relations, officials here said Wednesday [15 July].

"Kim and his delegation comes to South Korea to see industrial sites, purely for economic purposes," one government official said. "There is a vast difference between an economic tour and actual economic cooperation."

Kim, concurrently chairman of the North Korean External Economic Commission, will arrive on Sunday [19 July]. His visit, itinerary and Seoul's position on accepting his visit are to be formally announced on Thursday.

South Korea earlier this month sent a clear message to North Korea that there would be no substantial progress in inter-Korean relations, including economic cooperation, without full resolution of North Korea's suspected nuclear arms development.

When news broke that Kim was coming to South Korea, immediate speculation arose that Seoul had changed this basic policy.

"Just think of this as a carrot in our carrot-and-stick policy toward North Korea," a Foreign Ministry official said.

He said Kim's visit was completely unrelated to the ongoing inter-Korean nuclear negotiations.

He denied that Kim's delegation included members of the inter-Korean nuclear negotiations.

"If there is to be any connection between Kim's visit and the nuclear talks, it will be that the visit will send a message to the North Korean leadership that it should work for an early solution to the nuclear problem so that it can start receiving economic aid from South Korea and other countries," he said.

The government had already briefed the Japanese and U.S. Embassies on Kim's visit, the officials said, emphasizing that it would be purely an economic mission.

Delegation Members Listed

SK1507131192 Seoul YONHAP in English 1252 GMT 15 Jul 92

[Text] Seoul, July 15 (YONHAP)—Here is the list of the nine North Korean officials who will accompany Deputy Premier Kim Tal-hyon to his planned week-long visit to Seoul beginning July 19.

—Chong Un-op, age 51, born in Hoechang, South Pyongan Province: studied at Kim Chaek University of Technology: president of Samchonri Co. of the Ministry of Foreign Trade

—Yi Song-tae, 54, born in Kilju, North Hamkyong Province: studied at University of International Affairs: vice foreign trade minister, trade councilor in China

—Nim Tae-tok, 46, born in Pyongyang: studied at Kim Il-song University: chief secretary of Committee for External Economic Cooperation, attends Seoul meeting of Tumen River project

—Kim Tong-kuk, 50, born in Hesun, South Hamkyong Province: studied at Kim Il-song University: State Council responsible guidance member, advisor to northern delegation to inter-Korean table tennis talks of 1991

—Kim Ung-yon, 42, born in Kosong, Kangwon Province: studied at Hamhung University of Chemical Engineering: secretary to Administration Council deputy premier

—Hwang Po-hyok, 49, born in Pongsan, Hwanghae Province: studied at University of International Affairs: deputy bureau director of Ministry of Foreign Trade

—Ko Myong-chol, 58, born in Pyongyang: studied at Kim Il-song University: editorial writer of Central News Agency, covers Seoul meetings of prime ministers talks

—Yi Chun-kyong, 49, born in Chongju, North Pyongan Province: studied at Pyongyang University of Dramaturgy and Cinematics: cameraman of North Korean Central Television, covers prime ministers meetings

—Yi Yong-nim, 45, born in Sinpa, South Hamkyong Province: studied at Kim Chaek University of Technology: responsible engineer of Pyongyang Telegraph and Telephone Bureau, an attendant for the northern delegation to prime ministers talks.

No Tae-u Cited on South-North Summit Conditions*SK1507095592 Seoul YONHAP in English 0548 GMT
15 Jul 92*

[Text] Seoul, July 15 (YONHAP)—South Korean President No Tae-u said Wednesday [15 July] that he would not seek a summit with North Korean President Kim Il-song until everything was ready.

No, in an interview with the INCHON ILBO, said that the sticky issue of inter-Korean nuclear inspections should be resolved in order to build trust between the two Koreas.

He told the local daily that he would present ways for Seoul to contribute to the new world order and facilitate inter-Korean relations and unification in an address to the United Nations General Assembly in September, and would discuss matters of mutual concern with leaders of major countries.

"It is difficult to predict the political situation for next year because the presidential election is around the corner, but I don't expect any abrupt change since democracy has already taken firm root," No viewed.

The fact that all presidential candidates were civilians was a good example of the headway that democracy had made, the president said.

No had the exclusive interview with the INCHON ILBO on the fourth anniversary of the paper's founding.

Country To Participate in Peacekeeping Operations*SK1507092592 Seoul YONHAP in English 0755 GMT
15 Jul 92*

[Text] Seoul, July 15 (OANA-YONHAP)—South Korea decided Wednesday [15 July] to participate in U.N. peacekeeping operations (PKO) but withheld a decision on dispatching infantrymen, government officials said.

The Foreign and Defense Ministries, the Presidential Office and the Agency for National Security Planning reached a formal consensus at an afternoon meeting to reply to the United Nations on PKO participation before the U.N. General Assembly opens Sept. 15, the officials said.

Korea will list contributions as military observers, military medical teams and support staff, they said.

A final decision on whether to send infantry units will be made after further consultation among the related ministries, discussion with political parties and gathering public opinion.

The Defense Ministry proposed sending a 730-member PKO mission including 540 soldiers, but other government offices reportedly recommended delaying the decision.

The United Nations has asked all of its members to fill in questionnaires on their PKO contributions.

"What we list in the questionnaire is not legally binding in any way. Even if we exclude the dispatch of foot soldiers in this questionnaire, we can update it when we are ready," a Foreign Ministry official said.

Iraqi Ambassador Seeks Closer Ties*SK1407141592 Seoul CHOSON ILBO in Korean
14 Jul 92 p 21*

[Report on interview with Iraqi Ambassador to ROK Burhan Ghazal by reporter Ko Chong-won, date and place of the interview not given]

[Text] Iraqi Ambassador to the ROK Burhan Ghazal will host a banquet at 1200 on 16 July at the Hotel Shilla in Seoul to commemorate the anniversary of the Iraq's Baath revolution.

Ambassador Burhan Ghazal said: I would like to commemorate, together with the ROK people, the Baath revolution of 17 July 1968, which saved Iraq from a state of backwardness, and I hope that friendly relations of the two countries will continue.

Ambassador Burhan Ghazal said: Through the Baath revolution Iraq surmounted backwardness in various fields, including education and public health. This revolution proceeded from an ideal that attaches great importance to freedom, self-determination, and equality.

Ambassador Burhan Ghazal also said: The Baath revolution pursues the establishment of a single state of the Arab nation, and President Saddam Husayn is now exerting efforts to regain Iraq's past glory and prosperity.

As to the recent report of an alleged coup plot in Iraq, the ambassador flatly denied the report, saying: "It was a false report fabricated by Western news media in a bid to create internal unrest and trepidation in Iraq."

Regarding Iraq's confiscation last June of the equipment that our construction companies had left in Iraq, the ambassador said, "I will make every possible effort to ensure that this problem is solved at the earliest possible date, to the satisfaction of the two countries."

Ambassador Burhan Ghazal said Iraq is now in a difficult situation because of the economic sanctions against it. He said: Not only daily necessities, but also medical supplies and food are in very short supply. According to statistics, from January to March 1992, approximately 40,000 people died due to the lack of medical supplies. If the economic sanctions continue, more people will be victimized.

The ambassador said there have been almost no economic exchanges between the ROK and Iraq since the economic sanctions against Iraq began in August 1990.

The ambassador said: If the economic sanctions are lifted, however, bilateral relations will develop in a way that will benefit both countries, as in the past.

The ambassador said the rehabilitation projects on roads, bridges, and plants are being vigorously accelerated in Iraq despite current difficulties. He expressed the hope that the ROK will participate in the rehabilitation projects.

The ambassador said, "Iraq will rebuild all destroyed facilities in a near future, and we will never forget those who have assisted our country, which has faced a difficult situation."

South America Gives 'Cold Shoulder' to Mission

*SK1507041492 Seoul THE KOREA TIMES in English
15 Jul 92 p 2*

[Text] South American nations gave the cold shoulder to a North Korean delegation which visited the countries with improvement in economic and diplomatic relations in mind, diplomatic sources said yesterday.

The four-member delegation, led by Vice Foreign Trade Minister Yi Song-nok, kicked off its Latin American tour June 26 in Brazil, traveling to Sao Paulo, Brazilia and Rio de Janeiro, and then went to Colombia, they said.

The North Koreans chiefly discussed economic issues while in Sao Paulo, such as bartering rice, ginseng and magnesium drinks for Brazilian sugar, metallic ores and steel.

In Brazilia, they said that they were ready to boost economic ties with the Latin American country and proposed that they exchange trade representatives, according to the sources.

The Brazilian side apparently postponed an answer on the trade representative offices, saying they would rather wait until trade volume grows beyond \$4.6 million recorded last year.

Brazil did, however, invited North Korea to attend the general assembly of the Inter-Parliamentary Union, opening in Brazilia in November.

ROK-Russia Container Trade Increases

*SK1507042192 Seoul YONHAP in English 0212 GMT
15 Jul 92*

[Text] Seoul, July 15 (YONHAP)—Korea-Russia sea-borne trade soared 182.2 percent to 9,368 TEU (20-foot equivalent units) in the first half of the year over the same period last year, the Korea Maritime and Port Administration [KMPA] said Wednesday [15 July].

The dramatic increase was attributable to Korea's rendering of loans to Russia, a KMPA official said. Total container trade between Korea and Russia amounted to 14,471 TEU in the first half, 13.3 percent up from the same period last year.

The first six months of 1992 saw exports jump 292.4 percent from a year earlier to 8,293 TEU, with the sales tied with Korean loans accounting for 92.5 percent, he said.

In contrast, imports shrunk 11 percent to 1,075 TEU from 1,207 TEU in the same period last year.

Meanwhile, container traffic on the Trans-Siberia Railroad (TSR) to European and Middle Eastern regions plunged to 5,103 TEU, 45.1 percent off from last year.

TSR export traffic dropped 46.3 percent to 2,842 TEU and imports fell 45.1 percent to 2,261 TEU during the period.

Last year, the freight transported via the TSR increased temporarily due to the Gulf war, the KMPA official said.

EC To Decide on Extending Preference Status

*SK1507034192 Seoul YONHAP in English 0252 GMT
15 Jul 92*

[Text] Seoul, July 15 (OANA-YONHAP)—The Foreign Ministry denied Wednesday [15 July] reports that the European Community (EC) will take away Korea's benefits under the Generalized System of Preferences (GSP).

"We have looked into the newspaper reports and confirmed that the EC Commission has not made such a decision," Assistant Foreign Minister Ho Sung said.

Benefits include lower tariffs for products from countries with GSP status. European electronics firms have long urged the EC Commission to take away the benefits, accusing Korean companies of dumping their products.

Korea's GSP ends at the end of next year. It asked during a bilateral trade monitoring meeting here last week to extend the status to after 1993.

Measures To Conserve Oil in North Reported

*SK1507121792 Seoul KBS-1 Radio Network in Korean
1100 GMT 15 Jul 92*

[YONHAP report from Tokyo]

[Text] Because of a sharp decrease of petroleum imports from Russia, North Korea has seriously suffered a petroleum shortage. TONGIL ILBO, published in Japan, today reports that according to the party Secretary Kim Chong-il's recent directive, an order was issued in Pyongyang city banning the operation of vehicles one day per week and the cessation of gasoline three days per week. TONGIL ILBO reports this by quoting a Japanese-resident Korean belonging to the General Association of Korean Residents in Japan who returned to Japan after visiting Pyongyang city, Kim Chaek city, and other cities for one month.

According to the paper, because settlement of trade with Russia is based on international prices and hard currency exchange, North Korea's imports of petroleum have greatly decreased. Accordingly, North Korea is suffering from a petroleum shortage. Thus, in mid-June, according to Kim Chong-il's directive, the order banning the operation of vehicles in Pyongyang city was imposed. According to the order no plant or enterprise

can use buses or trucks on Saturday. Thus, the rate of industrial operation is greatly declining.

Speaker Admits Funds Came From Land Speculation

SK1507041592 Seoul THE KOREA HERALD
in English 15 Jul 92 p 2

[Text] National Assembly Speaker Pak Chun-kyu was "candid" enough to admit that most of his political funds derived from land speculation.

Answering questions at a debate session sponsored by the Kwanhun Club Monday [13 July] night, Pak said he spent just 500,000 won on 10,000 pyong (33,000 sq. meters) of land in Chamsil, southeastern Seoul, in 1966. He said he has now disposed of most of the land to finance his election campaigns.

The eight-term lawmaker from Taegu, however, did not say how much the land still in his possession fetches.

Pak also said he has told aides to donate 380,000 pyong (1.25 million sq. meters) of wooded land in his hometown to a charity foundation to help defuse criticism about his investment in land.

On other topics, the speaker said he has respect for opposition leader Kim Tae-chung. He said he and ruling party presidential candidate Kim Yong-sam have been "friends" for the past 30 years or so.

Surprisingly, Pak did not criticize United People's Party leader Chong Chu-yong for his recent controversial remarks that a Communist party should not be outlawed in South Korea.

Land Fraud Becomes 'Hot Political Potato'

SK1507041692 Seoul THE KOREA TIMES in English
15 Jul 92 p 2

[Text] The ruling Democratic Liberal Party [DLP] has turned aggressive in bringing to light truth about the fraudulent sale of the land of the Army Intelligence Command site by invoking the parliamentary right to investigate if it is necessary.

However, the party dismissed the opposition camp's allegation that some influential figures of the ruling party and the administration are behind the scam, which has rocked the financial circle.

In a meeting of lawmakers in charge of floor strategies, DLP executive chairman and presidential candidate Kim Yong-sam asserted that the party is clean. There is no political force behind the swindlers, he added, asking party lawmakers to exert more efforts to induce the opposition camp into the National Assembly.

The National Assembly has remained idle since its inauguration on June 29.

Kim said the ruling party will actively engage in the work of getting down to the truths of the fraudulent sale by

enlisting all the possible methods including the invocation of the parliamentary investigation rights.

The opposition camp has been drumming up public supports for the use of the parliamentary investigation rights, to which the ruling party initially reacted negatively.

Executive chairman Kim said in the same meeting that the elections of mayors and provincial governors within this year, which the opposition camp persistently demands as condition for the normalization of the National Assembly, is impossible. The local elections are to have been held by the end of June under the law. However, President No Tae-u unilaterally put off the elections until after 1995, citing lot of adverse effects spinning from too many general elections. There were parliamentary elections in March and presidential elections are in store for December.

However, he said that he is ready to cooperate with the opposition camp in the work of rewriting the Presidential Election Law to plug all the conceivable loopholes.

Meanwhile, the opposition Democratic Party [DP] determined in its executive council meeting that such a wholesale fraud could not be committed without the help of power.

From this vein, the opposition party argued that a sizable portion of the money may have flowed into the ruling camp to finance campaigns for the March 24 elections of lawmakers.

The opposition DP members visited the Seoul District Prosecution and inquired of the progress of the investigation of the 70 billion-won land deal case and demanded a probe of former defense minister Yi Chong-ku to determine if he is implicated in any part in the scam.

The opposition United People's Party sent open questions to the Agency for National Security Planning regarding how Kim Yong-ho, former section chief of the Defense Ministry, was brought back to Seoul from China. South Korea has no diplomatic ties with China where Kim fled when the scam deal began to unfold.

The land deal has turned into a hot political potato.

The opposition DP led by Kim Tae-chung, who is also presidential candidate of his party, is pressing hard upon the administration and the ruling camp. If any members of the ruling party or the No's administration are involved, DP members said the coming presidential elections in December are as good as having been won.

The Defense Ministry said it had once decided to sell the land of the intelligence command but the plan was called off in May last year when Yi Chong-ku was defense minister. The ministry is clean as far as the land deal is concerned. If any contract was made, it is bogus, the ministry argued.

However, the ministry has found itself under suspicion because of the role of Kim Yong-ho in the scam. Kim forged a document purported to be selling the land to a group of brokers, from whom the First Life Insurance Co. bought the land.

As expression of purchase intent, the insurance company deposited 24 billion won at the Citizens National Bank. However, the money was withdrawn without the knowledge of the depositor firm by a senior bank clerk who was with the fraud ring, according to the provisional investigation results.

Besides the money, the life insurance firm wrote commercial bills for about 47 billion won in payment for the land. The land brokers, who were arrested, already discounted a considerable portion of the bills at private money market.

Land Scam Probe Results Announcement Delayed

*SK1507064392 Seoul THE KOREA HERALD
in English 15 Jul 92 p 3*

[Text] In the face of negative public reactions to the prosecution's earlier move to conclude the probe into the multibillion-won real estate scam today or tomorrow, the Seoul prosecution put off announcing its investigation results until this week or early next week.

The prosecution said yesterday that it will summon Ha Yong-ki, president of the First Life Insurance Co. today to investigate a secret fund for the purchase of some controversial land used by Army Intelligence Command.

Ha has persistently denied prior knowledge of forming the fund.

The prosecution, however, said that it will arrest Ha on charges of mis-appropriation of the money if he is found guilty.

The prosecution also said that it will reinvestigate Pak Nam-kyu, owner of the insurance company and president of the Choyang Shipping Co. to see if he also knew of the purchase of the land. Cho is hospitalized in the Seoul National University Hospital.

Prosecutors have reportedly secured evidence implicating Ha in the financial scandal from the very beginning in the course of cross-examining other suspects. Ha is suspected of having conspired to defraud some 3 billion won in collaboration with Chong Kun-chong, a key suspect in the scam now under arrest, according to a prosecution source.

The prosecution has instructed all law enforcement officers nationwide to search for four other suspects still at large.

The turnaround in the investigation came after widespread public criticisms, suspicions and speculations about the multibillion won real estate scam compelled

the prosecution to probe deeper into the scam which rocked the nation's financial markets and tarnished the image of the government.

Meanwhile, the Defense Ministry said yesterday that it planned in 1991 to sell the controversial Army intelligence Command land in southern Seoul at 88.1 billion won over a three-year period.

Opposition Leaders Meet; Results Reported

*SK1407125392 Seoul YONHAP in English 1218 GMT
14 Jul 92*

[Text] Seoul, July 14 (YONHAP)—Two opposition leaders—Kim Tae-chung of the Democratic Party and Chong Chu-yong of the Unification National Party [UPP]—agreed Tuesday [14 July] evening to beef up their cooperative ties to push through local elections within the year.

At the meeting held at the Yuksam Building on Yoido, the two leaders further agreed to take joint steps over floor strategies.

The Kim-Chong meeting was also attended by three senior party officials and a spokesman from each side.

Sources said that at the meeting Kim suggested that the two parties boycott the National Assembly unless the ruling camp promises the local elections within the year.

Chong, on the other hand, wanted that they attend the assembly if only to launch an assembly-level probe into the financial scandal involving the land of the Army Intelligence Command.

At the end, Chong agreed to shelve his party's unilateral return to the National Assembly for the time being for the sake of opposition cooperation.

Kim and Chong, nevertheless, decided to act on the bills asking for parliamentary approval of the appointment of Choe Chong-yong as a supreme court justice and Kim Yong-chun as chairman of the board of audit and inspection.

The assembly thus is likely to resume this week at the earliest.

On the question of the land scam, Kim called for a joint DP-NUP [UPP] investigation into the scandal while Chong favored separate probes before a joint ruling-opposition investigation is launched at the assembly.

In this connection, Chong proposed a meeting among the heads of the ruling Democratic Liberal Party [DLP] and the two opposition parties.

But, Kim rejected the suggested meeting, contending, "if a meeting of the heads of the three parties is going to be held, the president and DLP executive chairman Kim Yong-sam should basically change their posture (over the local election issue)."

DLP Reacts To Meeting

*SK1507102592 Seoul YONHAP in English 0818 GMT
15 Jul 92*

[Text] Seoul, July 15 (YONHAP)—Three political parties went back to the drawing board Wednesday [13 July] after leaders of two opposition parties failed in negotiations Tuesday night to forge a common front on normalization of the National Assembly.

In the center of the controversy is the timing of local elections for provincial governors and mayors, which has held up the normal operation of the National Assembly since its inauguration two weeks ago.

The largest opposition Democratic Party [DP] refuses to cooperate with the ruling Democratic Liberal Party [DLP] in its efforts to restore normalcy to the National Assembly unless the DLP and the government agree to hold the local elections this year.

Citing the economic burden on the nation, the DLP unilaterally postponed the local elections beyond 1992.

The DP, on the other hand, insists that the local elections be held this year in order to insure a clean and fair presidential election, scheduled for December. Standing somewhat in between them is the minor opposition Unification National Party [UNP] [United People's Party] led by Chong Chu-yong.

In a move aimed at putting more pressure on the ruling party, Kim Tae-chung of the Democratic Party held a meeting with Chong Tuesday night to persuade him to take concerted steps on the local election issue and consequently on the normalization of the National Assembly.

But Chong was reported to have told Kim that his party was prepared to return to the National Assembly—as early as next week—to deal with pressing issues, including a possible parliamentary investigation into the multibillion won land scam involving plots owned by the army intelligence command.

The ruling party, believing that momentum has swung in its favor, decided to actively work on both opposition parties and induce them to attend the Assembly through various official and informal meetings of floor leaders and senior party members.

Moreover, the DLP has decided to inform the Unification National Party of its willingness to accommodate a meeting between Kim Yong-sam, DLP executive chairman, and Chong Chu-yong if the UNP leader so desires, party officials said.

Chong has reportedly decided to seek a meeting of top leaders of the three parties. If it is not feasible, sources said, Chong would like to meet Kim Yong-sam alone.

The ruling party will also urge the DP to attend the National Assembly even if the UNP starts to take part in the Assembly proceedings. But in a conference of secretaries general of the three parties, to be held Thursday, the Democratic Party is expected to reiterate its position on the local elections, heralding a continuing deadlock for the National Assembly for the time being.

Meanwhile, Pak Hui-tae, DLP spokesman, expressed disappointment over the failure of the Kim-Chong meeting and said the ruling party had expected a positive result from the talks.

The result, however, was nothing more than disappointment, both to the party and the people, Pak said.

"They have earned the indignation of the people," he added.

The ruling party, he said, was prepared to consider any proposals the opposition parties made within the framework of the parliamentary law.

If lawmakers continued to delay the normalization of the Assembly, not only their parties but also the entire political circle could not escape the people's condemnation, he said.

Kim Tae-chung 'Elated' About Rise in Ratings

*SK1507041392 Seoul THE KOREA HERALD
in English 15 Jul 92 p 2*

[Text] Kim Tae-chung, the presidential candidate of the main opposition Democratic Party [DP], seems elated about his recent rise in ratings and is thus likely to continue a hard-line stance toward the ruling camp.

Yu Chong-kun, chairman of the party's public relations committee, said yesterday that the popularity of Kim Tae-chung's archrival, ruling party presidential candidate Kim Yong-sam, edged up from 27.5 percent in April to 30.1 percent this month, according to the results of an opinion poll that the DP conducted.

In contrast, Yu said Kim Tae-chung's ratings jumped from 18.2 percent to 26.6 percent during the same period. Yu did not say what was responsible for the rise.

Political observers said that the DP would continue a get-tough stance toward the ruling party with regard to the local council election and the latest land scandal.

Meanwhile, Kim Tae-chung Monday [13 July] lashed out at Kim Yong-sam for his stiff opposition to holding local elections within this year.

The DP leader contended that the DLP presidential nominee appears stronger in his opposition to early local elections than President No Tae-u.

The life-long opposition leader threatened to boycott the presidential election expected in mid-December unless his demand was met.

Burma

Japanese Vice Foreign Minister Leaves Rangoon

BK1407141592 Rangoon Burma Television Network
in Burmese 1330 GMT 14 Jul 92

[Text] Japanese Vice Foreign Minister Mr. Koji Kakizawa and a two-member delegation, who is currently in Rangoon at the invitation of Foreign Minister U Ohn Gyaw, left Rangoon by air this afternoon.

The parliamentary vice foreign minister and delegation were seen off at Yangon [Rangoon] Airport by U Ohn Gyaw, minister for foreign affairs; U Ba Thwin, director general of the International Organization and Economic Department; Thura U Aung Htet, director general of the Protocol Department; U Aye, director general of the Political Department; responsible personnel from the Ministry of Foreign Affairs; Japanese Ambassador Mr. Tomoya Kawamura, and embassy officials.

Resistance Radio To Begin Broadcasting 19 Jul

BK1507024092 Bangkok BANGKOK POST in English
15 Jul 92 p 6

[Text] The National Coalition Government of the Union of Burma (NCGUB), the Burmese government in exile, will this Sunday [19 Jul] begin broadcasting in the Burmese language from Norway to inform the Burmese populace of the true political situation in Burma.

NCGUB Information Minister Hla Pe said that the radio broadcast will be transmitted from the powerful Foreign Broadcasting Department of Radio Norway International. The Burmese-language broadcast will be from 9.00 p.m. to 10.00 p.m. Burma Standard Time (9.30 p.m. to 10.30 p.m. local [Thailand] time).

The one-hour programme on the short wave band will concentrate on educational and health issues in addition to international news, the true political situation in the country and activities of the parallel government in ethnic guerrilla-controlled territories in Burma.

U Hla Pe added that a 15-minute news programme in ethnic minority languages will later be included in the daily broadcast from Norway.

Since Aung San Suu Kyi, leader of the National League for Democracy which won a landslide victory in the elections in Rangoon, was awarded the Nobel Peace Prize in Norway last year, that country had decided to support the struggle for democracy in Burma.

The NCGUB was formed by elected members of the NLD three years ago at Karen National Union headquarters in Manerplaw, opposite Mae Hong Son Province, and is led by Prime Minister Sein Win an elected representative from Pegu Division.

The Norwegian Government told ministers of the parallel government that it wants to help people in areas controlled by the military junta as well as hold talks with

the ruling State Law and Order Restoration Council regarding the issue of human rights in Burma.

17 'Terrorist Insurgents' Surrender in Jun

BK1407142392 Rangoon Radio Burma in Burmese
1330 GMT 14 Jul 92

[Text] Terrorist insurgents belonging to various insurgent organizations who have come to realize their wrongdoing have been giving up their armed struggle and surrendering at different army camps with arms and ammunition.

Accordingly, 17 terrorist insurgents surrendered between 1-19 June 1992 and they were warmly received by the responsible officials of the camps concerned.

Brunei, Malaysia & Singapore

Brunei

Sultan Pledges To Build Ties With Neighbors

BK1507104092 Hong Kong AFP in English 0945 GMT
15 Jul 92

[Text] Bandar Seri Begawan, July 15 (AFP)—Brunei's Sultan Hassanal Bolkiah Wednesday directed officials in his tiny oil-rich kingdom to implement policies that would promote economic development and boost trade.

"The ASEAN (Association of Southeast Asian Nations) free trade plan can be used as a means of mobilising and speeding up development of productive industries," Sultan Hassanal said at a parade marking his 46th birthday.

The parade and an investiture ceremony held later were attended by senior officials from several of the ASEAN countries which groups Brunei with Indonesia, Malaysia, the Philippines, Singapore and Thailand.

Among them were Malaysia's Information Minister Mohamed Rahmat, Singapore Defence Minister Yeo Ning Hong, Indonesian Defence Minister Benny Murdani and Carlos Dominguez, representing the Philippine president.

Sultan Hassanal said that the 25-year-old ASEAN had helped establish a stable political environment and allowed member countries to develop freely.

"Brunei places great importance on understanding and cooperation with neighbouring countries to ensure regional peace and security," he said.

Sultan Hassanal said that Brunei should not just participate in the proposed ASEAN Free Trade Area plan merely to show solidarity "but also for long term benefit of the country."

He said that a committee would be set up to look into Brunei's future manpower needs for development.

ASEAN heads of governments endorsed an agreement for common effective preferential tariffs at their last summit in Singapore in January this year.

The scheme which will come into effect next year will serve as a preliminary mechanism for creating an ASEAN free trade area within 10 to 15 years, officials said.

Malaysia

China Told To Exercise Caution in Spratlys Issue

BK1507081892 Kuala Lumpur NEW STRAITS TIMES in English 13 Jul 92 p 9

[Text] Seremban, Sun.—China should exercise caution in its claim over the Spratly Islands as armed conflicts will result in serious repercussions on the stability of Southeast Asia. Foreign Minister Datuk Abdullah Ahmad Badawi said today that the issue should be solved through discussions via diplomatic channels.

"The peace and stability of the region is vital for its economic growth," he told reporters after opening the Rasah UMNO [United Malays National Organization] Youth and Wanita [Women] delegates meeting here.

Abdullah was asked to comment on a recent report that China had promised an American company, Crestone Energy Corporation, military protection while it searched for oil and gas around the Spratlys.

The Spratlys, strategically situated along major sea lanes and believed to be rich in oil deposits, are claimed wholly or in part by China, Vietnam, Malaysia, Brunei, Taiwan, and the Philippines.

"The countries involved must guarantee that stability is maintained."

Country Seen Able To Spur Cambodian Peace

BK1507100192 Kuala Lumpur Voice of Malaysia in English 0800 GMT 15 Jul 92

[Station commentary]

[Text] Malaysia, along with Indonesia should be commended for offering to send their peacekeeping troops in the Khmer Rouge strongholds in order to break the impasse in the Cambodian peace process.

The offer is based on the assumption that the Khmer Rouge might be unhappy with the possibility that others may be sent to their areas to supervise the second phase of the Paris peace accord.

Malaysia believes that it enjoys the good standing as well as the trust and confidence of all the four warring factions in Cambodia, and thus will be accepted by the Khmer Rouge to handle the peacekeeping operations in the areas under their domination.

Malaysia is generally concerned about the situation that has been brought about by the Khmer Rouge's refusal to comply with the provisions under the UN-brokered peace plan and submit their troops to be confined in cantonments for demobilization, making the peace process to go ahead according to schedule.

It is crucial that the peace process be carried out without hindrance. The stability of Southeast Asia is glued to the stability of Cambodia as it is vital for the realization of the zone of peace, freedom, and neutrality or ZOPFAN, which is ASEAN's dream. The consequences of the failure of the peace accord can be disastrous to Cambodia's future as well as the political and economic progress of the region as a whole.

It is unfortunate that the path towards peace in that country that has been torn apart by conflicts and bloodshed for many years is being hampered by the stubbornness of one party among the four that signed the treaty. Khmer Rouge insists that there must be a UN verification of the non-existence of a single Vietnamese soldier on Cambodian soil before it continues to abide by the provisions of the peace accord.

Malaysia had already made it clear that it concurred with the finding of the UN Security Council that the Vietnamese who invaded Cambodia and installed the Hun Sen Government in place of the Khmer Rouge has made a complete withdrawal to pave the way for the restoration of peace and the establishment of the democratically elected government in due course.

Malaysia is of the view that even if the peace process is poor or delayed, the rehabilitation of Cambodia and its long-suffering people must be given due prominence. Apart from sending a contingent of troops as part of the 16,000-strong UN Transitional Authority in Cambodia or UNTAC, Malaysia is ready with courses of aid to assist the Cambodia's rehabilitation and reconstruction. Realizing that Cambodia is also facing an acute shortage of cooking oil, the Malaysian Government has decided to send 67,000 tons of this item worth 200,000 ringgit by the end of this month. Other forms of assistance can be expected from Malaysia as and when the need arises.

It is Malaysia's hope that the Khmer Rouge will accept the offer of troops to areas under their control for the smooth implementation of the second phase of the peace plan. It is now left to the four factions and the Cambodian people as whole to come together and work faithfully towards the political and social economic development which will in turn enable them to live in peace and harmony with each other as well as with its neighbors in the region, and in a wider perspective—the international community.

Government Wants SRV, Laos in ASEAN

BK1407151292 Kuala Lumpur Radio Malaysia Network in Malay 1430 GMT 14 Jul 92

[Text] Malaysia would like to see Vietnam and Laos become members of ASEAN as soon as possible. The

Foreign Ministry Secretary General, Tan Sri Ahmad Kamil Jaafar, said both are allowed to apply for membership ASEAN but they had to agree to ratify ASEAN's Treaty of Amity of Cooperation. He added the 25th ASEAN ministerial-level meeting in Manila on 21 and 22 July is expected to agree to allow Vietnam and Laos to join the regional meeting as observers. He was briefing newsmen on the meeting in Kuala Lumpur today.

He also said China and Russia have been invited to attend the Manila meeting as official guests of the chairman of the ASEAN Standing Committee.

Mahathir Discusses Ongoing Sixth Plan Projects

BK1407142992 Kuala Lumpur Radio Malaysia Network in English 1330 GMT 14 Jul 92

[Text] Datuk Sri Dr. Mahathir Mohamed said only vital Sixth Malaysia Plan projects will be continued because present expenditure has exceeded the budget for the plan. He said this financial pressure has forced the government to spend more carefully with efforts concentrated on implementation of infrastructure projects.

The prime minister said vital projects under the Sixth Malaysia Plan, included the laying of railway tracks, building of airports, and educational projects. The government would depend more on the private sector to provide other facilities that were needed. He was speaking to reporters after attending a briefing on Terengganu's development at the Menara Perbadanan Memajukan Iktisad Negeri Terengganu [Terengganu State Economic Development Corporation Building] in Kuala Terengganu.

Federal cabinet ministers were also present at the hour-long briefing given by Terengganu Menteri Besar [Chief Minister] Tan Sri Wan Mokhtar Ahmad. Datuk Sri Dr. Mahathir also said the DAP [Democratic Action Party] secretary general, Lim Kit Siang, ought to pay a fine for evading toll at the Kuala Lumpur-Ayer Kroh highway recently. He said Encik [Mr.] Lim is not above the law, and being an opposition leader does not give Encik Lim the privilege to break laws. Datuk Sri Dr. Mahathir said even the prime minister cannot escape from the law if he commits a crime. Datuk Sri Dr. Mahathir said tomorrow's cabinet meeting in Kuala Terengganu will discuss the dispute between the Kelantan Government and the Federal Government over the Pergau hydroelectric project. He said further developments of the issue could only be expected after the meeting.

Datuk Sri Dr. Mahathir, who is also UMNO [United Malays National Organization] president, reminded party members to avoid using dirty tactics such as distributing poison-pen letters to discredit someone. The prime minister and his entourage arrived in Kuala Terengganu today and are scheduled to be there until Friday.

Cambodia

Khmer Rouge Demobilization Proposal Cited

BK1507055492 Phnom Penh SPK in English 0411 GMT 15 Jul 92

[Text] Phnom Penh SPK July 15—Cambodia's Khmer Rouge announced Tuesday [14 July] they would disarm and put their entire guerrilla force in UN controlled holding areas in four weeks provided the Phnom Penh leadership was also dismantled at the same time, AFP reports.

The offer is an apparent bid to defuse international pressure against the radical Marxist group, which has so far blocked Cambodia's peace process by refusing to go along with a UN programme launched June 12 to demobilize and disarm 70 percent of the country's rival forces.

Until now, the Khmer Rouge, the strongest of the guerrilla factions which fought Phnom Penh government in a civil war which formally ended with the signing of the Paris peace treaty last October, had demanded that the government be dissolved prior to the cantonment of its troops.

The faction's hardline stance had led to accusations that it wanted to destroy the peace process, and Western countries, led by France, have considered taking sanctions against them.

Diplomats familiar with developments in Cambodia said the latest Khmer Rouge offer looked like an attempt to stymie possible sanctions by suggesting a "reasonable" way of breaking the impasse.

In their statement issued in Bangkok, the Khmer Rouge said they would accept the "regroupment and cantonment" of all their forces in a four-week process during which all the leaders of the Phnom Penh regime should also step down. By offering to accept that its entire force be disarmed the Khmer Rouge are going beyond the UN requirement and therefore seemingly putting themselves in a position where they could make a concession, diplomats said.

"By presenting what looks like such a reasonable proposal the Khmer Rouge are trying to defuse growing international pressures against them," one diplomat said.

Their new proposal, he explained, would make it extremely difficult for countries like China and Thailand, the faction's main allies, to support a push for UN sanctions. Under the Khmer Rouge scheme, the first 10 percent of the Khmer Rouge forces would come under UN control during the first week after Phnom Penh's ministers and vice ministers of defence and public security step down.

During the second week another 20 percent would be regrouped after the foreign affairs and finance ministers and vice ministers go, followed by 30 percent in the third week after the stepping down of the minister and vice ministers of information.

The remaining Khmer Rouge force would hand over its weapons during the fourth week after the Phnom Penh president, prime minister, National Assembly speaker, and remaining ministers step down, the statement said.

"Along with those measures, it is necessary that within the Cambodia parties, consultative committees of the SNC be set up," the Khmer Rouge said.

The SNC or Supreme National Council was formed under the Paris accord with representatives of Cambodia's rival factions as a reconciliation body headed by Prince Norodom Sihanouk.

In keeping with the peace treaty, the SNC is to lead Cambodia to free and fair elections in mid 1993 conjunction with the UN Transitional Authority in Cambodia (UNTAC).

The Khmer Rouge statement, dated July 12, made no mention of the other pretext which the faction had invoked to refuse the UN demobilisation scheme—the alleged presence of Vietnamese troops in Cambodia. It is unclear if the Khmer Rouge plan has been formally presented to the UN peacekeeping force in Cambodia headed by Yasushi Akashi.

Despite Hanoi's announcement of a complete withdrawal of its expeditionary corps in September 1989, the Khmer Rouge have since insisted that Vietnamese soldiers stayed behind.

The faction demanded that the UN verify Vietnam's military presence. But when UNTAC said it could find no evidence of Vietnamese ground forces operating in Cambodia, the Khmer Rouge claimed that verification had not been properly conducted.

Khmer Rouge Deny Shooting at UN Helicopters

BK1507020292 (Clandestine) Voice of the Great National Union Front of Cambodia in Cambodian 2330 GMT 14 Jul 92

["Denial by the Party of Democratic Kampuchea of a Deliberate Accusation that the PDK Shot at Two UN Helicopters in Pailin"—date not given; read by announcer]

[Text] I. It is reported that the UN Transitional Authority in Cambodia [UNTAC], in a protest note, has accused Democratic Kampuchea of shooting at two UN helicopters in an area near an UNTAC office in Pailin.

II. Actually, the Party of Democratic Kampuchea [PDK] does not want to argue with the UNTAC but we wish to clarify the facts as follows:

1. On Thursday 9 July and Saturday 11 July, no such incidents occurred in Pailin. As such, this constitutes a gross and deliberate accusation with an ulterior political motive against the PDK.

2. As for the allegation that the PDK has announced that it will offer a reward of \$3,500 to anyone who shoots down a UN helicopter, it is simply an erroneous and deliberate fabrication with an ulterior political motive as well.

3. The PDK wishes to reiterate that if UNTAC, which is supposed to play a neutral role in correctly and meticulously implementing the Paris accord so as to bring about independence, peace, and national unity for Cambodia, adopts a political stance in backing this party against that party politically as well as in its activities and propaganda, this will in no way benefit UNTAC's influence and honor. As Jacques Bekaert wrote in the BANGKOK POST on 11 July, the Cambodian people have begun to lose faith in UNTAC.

4. Democratic Kampuchea has needed UNTAC since the negotiations stage ended in order to fulfill the Paris accord. And now, Democratic Kampuchea still needs UNTAC and the Supreme National Council to cooperate in the correct implementation of the essence of the 23 October 1991 Paris accord. As a matter of fact, the Vietnamese aggressors and puppets as well as a number of bad elements are carrying out all manner of maneuvers to destroy the Paris accord for the purpose of serving their political aim and strategy of invading and occupying Cambodia.

Khmer Rouge Military Attacks Detailed

BK1407123192 Phnom Penh Samleng Pracheachon Kampuchea Radio Network in Cambodian 1100 GMT 14 Jul 92

[Press communique of the State of Cambodia's Defense Ministry spokesman—read by announcer]

[Text] The second phase of the cease-fire is one month old as of 14 July 1992. During this period, which is the most significant for the peace process, the forces of the State of Cambodia [SOC] faction have made sincere efforts in regrouping and cantoning five units of their troops, arms, and ammunition under the control of UNTAC [UN Transitional Authority in Cambodia]. However, in total contrast to the genuine goodwill of the Cambodian People's Armed Forces [CPAF] and the Cambodian people, the Khmer Rouge have intensified and are intensifying attacks to expand territory and ceaselessly cause serious destruction against CPAF positions and localities controlled by the people's power of the SOC. As a matter of fact:

In Kompong Cham Province, at 1200 on 4 July 22 Khmer Rouge soldiers from Regiment 73, Division 417, attacked the CPAF position in Phum Thmei, causing extensive damage to a school building. At 1000 on 10 July 25 to 30 Khmer Rouge soldiers from Regiment 85, Division 801, attacked and destroyed the administrative post in Kompong Reap commune, Kaoh Sotin District, burning down a number of people's houses and wounding a boy.

In Kratie Province on 6 July, about 100 Khmer Rouge soldiers intercepted and robbed a passenger car traveling from Kratie to Stung Treng at Kbal Damrei commune, Sambo District, Kratie Province. In that attack they killed five people, damaged the car, seized all personal belongings, and took away some of passengers in the car.

In Kompong Thom Province, at 1200 on 6 July a group of Khmer Rouge soldiers from Division 802 launched a surprise attack against the CPAF in Kon K'ek Village, Kompong Svay District, killing one CPAF soldier and wounding two others. On 9 July the Khmer Rouge used three 82-mm mortars to fire barrages against the CPAF position in (Thmong) village, Stoung District.

More serious still, at 0500 on the morning of 14 July Khmer Rouge forces from Divisions 616 and 802 with artillery support launched a four-pronged offensive on the positions defending the seat of Kulen District, forcing the CPAF at the Pyuo Chruk position to pull out temporarily. Up to the present the Khmer Rouge have continued their offensive, causing serious hardship and deprivation to the livelihood and security of the people in that region.

The repeated attacks and provocations of the Khmer Rouge have grossly violated the Paris peace agreement and constitute part of their dark designs to block the implementation of the cease-fire's second phase, which is UNTAC's peace plan in Cambodia.

International Pressure on Khmer Rouge Advocated

BK1507095592 Phnom Penh Samleng Pracheachon Kampuchea Radio Network in Cambodian 1300 GMT 14 Jul 92

[PRACHEACHON commentary: "It Is Time To Take Measures Against the Khmer Rouge"]

[Text] The Paris peace accord has been implemented for nearly nine months now, but its execution has never been smooth with the Khmer Rouge putting themselves up as obstacles since 23 October 1991.

Militarily, the Khmer Rouge have not only violated the truce by shelling the positions of the State of Cambodia [SOC]—wounding or killing a great number of our people and destroying their property—they have also on many occasions shot at aircraft of the UN Advance Mission in Cambodia [UNAMIC] and the UN Transitional Authority in Cambodia [UNTAC]. What the public is concerned about is not only their refusal to participate in Phase II of the cease-fire, but also their open, arrogant objection against it. In fact, they have ordered their troops to shell every UNTAC-controlled regrouping center of the SOC and have openly announced that they will offer \$3,500 to soldiers from any party who shoot at UNTAC aircraft.

Politically and diplomatically, the Khmer Rouge—represented by Khieu Samphan and Son Sen in the Supreme National Council [SNC]—have always used their right of veto to block the meetings between the SNC

and UNTAC from achieving effective results. Lately, due to their illogical demands, tension has been created in the implementation of the accord's second phase. His Excellency Hun Sen has said: the process can neither move forward nor backward.

In the face of this situation, the SOC's armed forces have maintained their right to self-defense in case the Khmer Rouge should continue to commit breaches at a time when the United Nations has not taken any concrete measures yet. This is despite the active participation of the SOC's armed forces in the cease-fire's second phase to promote with goodwill the implementation of the Paris accord toward its ultimate goal. By all appearances, demobilization and disarmament cannot be carried out at this stage. The SOC side, which is cooperating fully with UNTAC, cannot allow itself to be [words indistinct] by Khmer Rouge violations. More than ever before, the SOC's armed forces and the Cambodian people, who are being victimized by the Khmer Rouge breaches, should heighten their vigilance and use their legitimate rights of self-defense at all costs. We believe the appropriate solution to the deadlock and the prevention of a recurrence of a new phase of bitter bloodletting is for the UN Security Council and the international community involved in the Cambodian problem to put all possible pressure on the Khmer Rouge. This has been proposed recently by the French Government through its foreign ministry spokesman. The suggestion represents a reasonable request at this stage of tension.

Over 35,000 Refugees Repatriated From Camps

BK1407033892 Phnom Penh SPK in French 1117 GMT 13 Jul 92

[Text] Phnom Penh 13 Jul (SPK)—Three months after the refugee repatriation program was started, the State of Cambodia has received 8,282 families with a total of 35,867 persons: 35,390 came from camps in Thailand and the rest from other camps in Indonesia, Malaysia, Australia, and Singapore.

Some 31,000 returnees from camps in Thailand have already left transit centers to settle in their home villages. Among the six reception centers, that of Pun Phnum in Phnom Penh has (?received) 2,250 families; that of O Taki, Battambang Province, 1,978 families; and that of [name indistinct] in Sisophon District, Banteay Meanchei Province, 1,622 families.

The State of Cambodia plans to receive this month 10,700 returnees.

UN Reports Inflation Running 'About' 100 Percent

BK1307102792 Hong Kong AFP in English 0929 GMT 13 Jul 92

[Text] Phnom Penh, July 13 (AFP)—Inflation in Cambodia is running at about 100 percent annually, according to a United Nations report Monday.

The rate was estimated from a consumer price index of goods in the Cambodian capital, and does not accurately reflect the rate elsewhere in the country, said UN spokesman Eric Falt.

The inflation rate just a few months ago before the UN peacekeeping mission deployed more than 15,000 foreigners to this impoverished country was estimated at about 75 percent, Falt said.

The presence of thousands of free-spending UN peacekeepers and civilian administrators are clearly straining the Cambodian economy.

All UN officials and many military officers make a 145 dollar daily allowance—more than the yearly salary of average Cambodians—on top of their regular salaries.

The Cambodian currency, the riel, has plummeted to 1,300 to the dollar, its lowest point since it was established in 1979. The dollar is the preferred currency at many restaurants in the capital, and dollars can be used freely throughout Cambodia.

Economists say this has contributed to a lack of confidence in the riel, with shopowners in the capital now refusing to accept small 10 and 20 riel notes.

The riel's highest point was 450 to the dollar in December.

Prices have gone up at the same time, with foreigners grabbing up housing and pushing prices through the roof.

A house in the capital can rent for up to 6,000 dollars, with the median at about 3,000. That's up from about 1,000 to 1,300 dollars for the same type of house one year ago.

Many humanitarian aid workers report being forced out of their houses by landlords seeking to rent the premises to the United Nations for more money.

Rooms at the luxury Hotel Cambodiana, which one year ago cost about 70 dollars, start at 150 dollars a night and go up to 370 dollars for a suite.

A standard room at a local Cambodian hotel has gone up from 25 dollars a year ago to about 50 to 70 dollars now.

A can of Coke, which cost 350 riel, now fetches 600 riel in the market, and one dollar at a restaurant.

Indonesia

Japan Asked To Investigate 'Comfort Women' Issue

BK1507123992 Jakarta ANTARA in English 1019 GMT 15 Jul 92

[Text] Jakarta, July 15 (OANA-ANTARA)—The Indonesian Government has urged Japan to thoroughly investigate the issue of Indonesian women being forced into prostitution by the Japanese Army during World War II.

The Ministry of Foreign Affairs in a statement said on Monday that Indonesia had no intention of blowing up the "comfort women" issue but for the sake of dignity appealed to the Japanese Government to investigate the charges that women in several parts of Asia were forced into prostitution.

The ministry also said Indonesia welcomed the recent apology by the Japanese Government for the actions of wartime authorities in Indonesia and in other Southeast Asian countries.

The ministry insisted however that a thorough investigation was needed because the recent Japanese findings were based on only four letters about the "comfort women".

These led to the findings which reveal that there were 225 women who became victims of the Japanese. Indonesia believes that the number of victims is much higher, the ministry said.

Indonesia does not want to be trapped by the past but on the other hand cannot easily forget the comfort women issue since there is no way to bring back the loss of dignity of the Indonesian women concerned no matter what action the Japanese Government takes, the statement said.

Technical Team To Study PRC Hydrotechnology

BK1407092892 Jakarta THE INDONESIA TIMES in English 9 Jul 92 p 3

[Text] Jakarta—Indonesia will send a technical team to China to study micro hydrotechnology, which will be applied to generate electricity, Minister of Public Works Radinal Mokhtar said here on Tuesday.

According to him, President Suharto is interested in applying the technology and has asked related institutions to study and apply it here to examine villagers need for electric power.

After accompanying the PRC Minister of Irrigation, Yang Zhenhuai, for a courtesy call on Vice President Sudharmono at his office, Radinal said that PRC was experienced in the field for a long time.

After considering the possibility for its implementation here, Indonesia, in August, will send a team comprising of irrigation, agriculture, industry and PLN [National Electricity Board] institutions, he said.

The team will also study the technology for the construction of a relatively low cost rubber dam commonly used in PR of China, he said.

The PR of China has warmly welcome the plan of the technical team visit adding that it will strengthen the cooperation between the two countries, Radinal said.

Yang Zhenhuai, accompanied with the Director General for Irrigation Construction Project Company, Ji Changhua, and Charge d'Affaires of PRC Embassy in Indonesia, Lie Xinshing, has inspected some dams in West and East Java during their official visit for his six days.

Zhenhuai said that PRC and Indonesia would study each other's irrigation technology to enhance the proceeding cooperations.

Air Exercises With Singapore Not for Defense Pact

BK1507060492 Jakarta ANTARA in English 0400 GMT 15 Jul 92

[Text] Pakan Baru, July 15 (OANA-ANTARA)—Joint exercises which have been carried out between the Indonesian and Singaporean Air Forces so far are not intended for creating a defense pact, Rear Marshal Rukandi, the operations deputy of the Indonesian Air Force, said after closing the 7th Elang Indopura joint exercise here on Tuesday.

The exercises are solely meant for improving the capability of the two countries' air force personnel, he said adding that Indonesia has also conducted exercises with other ASEAN countries and even with Australia.

The exercises have provided a lot of advantages especially for enhancing cooperation and improving mutual understanding particularly in the field of securing the borders, Rukandi said. Seeing that mutual understanding can help smooth solution of problems, Rukandi said he hoped the exercises with Singapore as well as other ASEAN countries would continue. ASEAN—the Association of Southeast Asian nations—comprises Brunei Darussalam, Indonesia, Malaysia, the Philippines, Singapore, and Thailand.

Cooperation between the Indonesian Armed Forces and the armed forces of other ASEAN countries also include education exchange of personnel, he said.

The 7th Elang Indopura exercise carried out since July 8 involved A-4 Skyhawks, helicopters, Hercules and Special Air Force units. The closing ceremony was attended by the chief of staff of the Singapore Air Force (RSAF), Brigadier General Bey Soo Khiang.

Dutch Minister's Upcoming Visit Previewed

BK1507085792 Jakarta ANTARA in English 0409 GMT 15 Jul 92

[Text] Jakarta, July 15 (OANA-ANTARA)—Dutch Minister of Foreign Affairs Hans van den Broek is convinced that there are still ample opportunities of further cooperation between the Netherlands and Indonesia, after Indonesia refused Dutch development aid since a few months ago.

When interviewed by ANTARA's correspondent in the Hague, Syarif Hidayat, in connection with his visit to

Indonesia beginning Thursday, Broek said that there are still many fields of cooperation between Indonesia and the Dutch.

"One third of Indonesian exports to European countries flows through Rotterdam harbour and Schiphol Airport. It shows indeed that the Netherlands is an important gateway to Europe for Indonesian goods," Broek said on Tuesday.

The minister also said that the Netherlands is also the largest European investor in Indonesia.

According to the minister, the Dutch Government is very pleased with the recent opening of the Indonesian Trade and Distribution Centre (ITDC) in Rotterdam.

After the decision of the Indonesian Government to end the development cooperation relation, he said, both Indonesia and the Dutch Government have stressed the wish to continue and even intensify the cooperation in other fields.

The two countries are also determined to work on a strong relationship based on mutual respect and interest. "And that is what both governments have been working on now," he added.

According to the minister, both countries have done some efforts to strengthen the cooperation. In April, the Indonesian Trade Minister Arifin Siregar came to the Netherlands to attend the opening of the Indonesian Trade and Distribution Centre (ITDC) in Rotterdam.

"Our minister for foreign trade, Yvonne van Rooy, paid a successful visit to Indonesia in May. And several other ministerial visits are planned for the near future," the minister said.

During her visit to Indonesia, van Rooy has mentioned the flourishing trade and investment relations between the two countries. "All the conditions for a substantial expansion of bilateral economic relations are in place. So I would like to invite all interested members of the business community to work on this expansion," Broek said. "This shows our mutual intention to further strengthen our bilateral cooperation," the minister added.

When asked about the main purpose of his visit to Indonesia, the minister said that it is to further strengthen the Indonesian-Dutch bilateral relation. "My good friend and colleague minister Ali Alatas invited me to come to Indonesia to discuss several topics of mutual importance," he said.

During his visit in Indonesia, the minister also intends to discuss current political issues, such as the European political union and the relationship between the European Community and ASEAN countries.

Minister Hans van den Broek said that he will also discuss with Indonesia regional developments in ASEAN and on the situation in Vietnam and Cambodia.

Most East Timorese Want Native as Governor

*BK1407130992 Jakarta THE JAKARTA POST
in English 3 Jul 92 p 2*

[Text] Jakarta (JP)—A legislator has added to the growing pressure to Jakarta to let East Timorese have a native as its next governor.

"All East Timorese I talked to during my recent visit (to the former Portuguese colony) want their next governor to be an indigenous East Timorese," Salvador Januario Ximenes Soares told the JAKARTA POST on Wednesday [1 Jul].

Salvador argued that the appointment of a non-East Timorese governor would create the wrong impression among foreign countries and dissatisfied local people that Indonesia meant to colonize East Timor.

The statement by the DPR [House of Representatives] member from East Timor was the latest contribution in the heated debate over who should replace governor Mario Vegas Carrascalao when his term of office expires in September.

Carrascalao, a popular indigenous governor, has ruled out local people's proposal to stay in office, saying that taking a third five-year term would represent a violation of the law.

The local legislative council (DPRD) is yet to formally propose the gubernatorial candidates to the home affairs minister but their names have been widely publicized.

Home Affairs Minister Rudini and the local Military Field Commander Brigadier General Theo Syafei have in various occasions said that the origin of the next governor is not important because East Timor has been an integral part of Indonesia since 1976.

Among the names believed to have a good chance to replace Carrascalao are Clementino Dos Reis Amaral (a DPR member), A.B. Saridjo (vice governor), Armindo Mariano (Dili regent), Rui Tesseira Lopez (Kovalima regent), Mariano Lopez Da Cruz (Maliana Regent), and Lopez Da Cruz (a member of the Supreme Advisory Council).

The official statements have been generally interpreted as a support for the candidacy of Saridjo, who is a Javanese. The final decision will be in the hand of the president.

Salvador said the appointment of a native as the next East Timor governor was important to "win back the local people's heart" hurt by the November 12, 1991 bloody incident in Dili in which about 50 people were killed.

"Efforts to win back East Timorese's heart can succeed if they are made by a governor who has emotional ties with the local people," he said.

East Timorese bishop Carlos Fillipe Ximenes Belo has also stepped in the debate over the best choice for the next governor of predominantly Roman Catholic East Timor.

In a rare press meeting at his residence in Dili two weeks ago, Belo said he would write President Suharto, asking him to name an East Timor native as the next governor.

The bishop's involvement, however, has also caused confusion as a similar request circulated by him and addressed to various public figures were declared fake by Brig. Gen. Theo who claims to have discussed the matter with him.

Presidential Decree on Electricity Supply Issued

*BK1507065292 Jakarta ANTARA in English 0422 GMT
15 Jul 92*

[Excerpt] Jakarta, July 15, (OANA-ANTARA)—The government has issued a presidential decree (Keppres) no. 37, 1992 on electricity supply by private businesses and cooperatives in order to fulfil the mounting need for electricity.

Minister of Mines and Energy Ginanjar Kartasasmita, after reporting to President Suharto at Cendana [presidential residence] on Tuesday, said the decree consists of stipulations regulating the financing, ownership and management of the electricity power plant, including its transmissions and distributions.

According to the minister the long-awaited decree will be used as a legal basis for managing businesses involved in electricity provision because the marketing of electricity is not to be as free as that of other commodities.

"Investment in electricity must be regulated, not only because it needs investment of substantial amount of foreign exchange used to import high-tech equipment but also the electricity must be sold in rupiah currency," he said. Therefore, a power generation business needs special regulations giving certainty for all investors, including details on private power plants owners' rights and obligations.

Article 2 of the decree mentioned that the establishment of a private power plant must adopt the build, own and operate (BOO) pattern.

"While people talk about build, own and transfer (BOT) pattern, we choose to use the BOO because there is no use to transfer outdated and used equipment of over 30 years old to the state-owned Electricity Company (PLN)," Ginanjar said.

Article 3 paragraph 2 mentioned that the licence can be given to a company or group of companies involved in power plant businesses such as generation, transmission and distribution. [passage omitted]

Suharto Receives Report From Military Chief

*BK1407143892 Jakarta ANTARA in English 1028 GMT
14 Jul 92*

[Text] Jakarta, July 14 (OANA/ANTARA)—Chief of the Armed Forces Gen. [General] Try Sutrisno here Tuesday reported the results of an investigation carried out by the Armed Forces (ABRI) of last year's November 12 Dili

incident to President Suharto in his capacity as the supreme commander of ABRI.

The report made by a team instructed by the Armed Forces chief to investigate the incident in the capital of East Timor last year said that the incident claimed 115 people who are either dead or still missing, a spokesman for the Armed Forces Brig. Gen. [Brigadier General] Nurhadi Purwosaputro M.Sc. said at the ABRI headquarters in Cilangkap here Tuesday.

The number does not include a foreign journalist, Kamal Banadhaj, who was also killed in the Dili Incident.

Of the 115 people previously reported missing, 31 have returned to their villages up to June 28, 1992. The team led by Insp. Gen. [Inspector General] Vice Admiral Sumitro, who is also a member of the National Investigation Committee (KPN), did not find any new graves in addition to the 18 graves found at Hera.

Some of the 66 missing people are believed to be dead while the rest have reportedly joined a troublemaker group (GPK) which is hiding in forest, according to Nurhadi.

Among those believed to be in hiding is Constantio Pinto, a driving force behind the demonstration on 12 November 1991 in Dili.

It has not been easy to find those still alive or the graves of the victims despite ABRI's diligence in carrying out President Suharto's instruction, according to Nurhadi.

The ABRI team has utilised all possible sources of information for the investigation, including the police and village heads who gave information on the people who they believed became victims of the incident.

The ABRI official is of the view that based on past experiences, those who are still alive will come back to their homes sooner or later.

Except for those who were the driving forces behind the demonstration, most of these people would be set free, he said.

On comments from foreigners that the Indonesian court gave heavier sentences to civilians than to ABRI members involved in the Dili incident, the ABRI spokesman explained that the civilians were tried not just for staging the demonstration but also for subversive acts.

They are conspiring against the Indonesian authorities, and their network extends not only to Dili and Jakarta but also to other countries, Nurhadi said.

The military officers were punished for acting beyond their authority when they were dealing with the demonstrators in Dili. If the ABRI members had been found guilty of subversive acts they would have been given heavy penalties too, he added.

E. Timorese Men Sentenced for Activities

Life Sentence for 'Subversive' Acts

*BK1307134092 Jakarta THE JAKARTA POST
in English 1 Jul 92 p 1*

[Excerpts] Dili, East Timor (JP)—An East Timorese was sentenced to life by a local district court here yesterday for subversive activities.

Gregoria da Cunha Saldanha, who is also known by the aliases Giri and Mouris, 29, a former employee of Dili central hospital, was found guilty by the panel judges of anti-Indonesian activities for the establishment of a separate state in East Timor between 1989 and 1991.

The verdict, which fulfilled prosecutor E. Supardi Narasaputra's request in an earlier session, is the heaviest handed down so far for those involved in the anti-state activities in the former Portuguese colony. [passage omitted]

The defendant, who registered no emotion upon hearing his sentence, told the court he would appeal to the High Court against the verdict. Gregoria, who was defended by two lawyers from the Indonesian Legal Aid Foundation (YLBHI) in cooperation with the Indonesian Bar Association, tried to smile as he repeatedly leaned his head on the back of his dark-colored wheelchair. [passage omitted]

The panel of judges said that Gregorio was a member of the Fretilin [Revolutionary Front for an Independent East Timor] rebel group and responsible for distributing anti-government pamphlets.

In January 1990, during a visit by United States Ambassador John Monjo, the defendant led a 2,000 strong demonstration against the government, in which Fretilin supporters wielded 30 posters reading "Intergracao Nao, Independencia Sim" (Integration No, Independence Yes). [passage omitted]

Gregorio was also a member of a clandestine group called Komite Eksekutif (KE) [Executive Committee] in charge of agitation and propaganda. KE planned a demonstration to welcome the planned visit of a Portuguese parliamentary delegation to Dili in 1991.

10 Years for 'Seditious' Act

*BK1407135292 Jakarta THE JAKARTA POST
in English 7 Jul 92 p 2*

[Excerpts] The Dili District Court has sentenced a man to 10 years imprisonment for his role in the November 12 demonstration at the Santa Cruz Cemetery.

The panel of judges presided over by Pandapotan Sinaga determined that the defendant, Jacinto Das Reves Raimundo Alves, was guilty of committing a seditious act against the government as stipulated by article 160 of the criminal code (KUHP).

The judges' verdict was two years more than requested by prosecutor Sipet.

Alves' defense lawyers, led by Artidjo Alkostar, appealed the verdict.

In a marathon trial on Saturday [4 Jul], Sinaga pronounced that Alves was involved in many clandestine meetings in Dili and Metiaro between July and November 1991. The meetings discussed plans to fight for the establishment of an independent East Timor state. [passage omitted]

In a previous session, Alves said he was appointed as chairman of the health and logistics section of the "Comite Ejecutivo" (CE) [Executive Committee] chaired by Constancio Pinto. [passage omitted]

Alves said the organization functioned through financial assistance from foreign donors, the last being US\$5,000 donation from Japan.

The verdict on Alves brings to six the number of people who have been convicted for their parts in the tragic Dili demonstration which claimed 50 lives and injured 90 others. [passage omitted]

Eight military members have also been convicted for acting beyond their authority in the military's handling of the clash between demonstrators and troops at the Santa Cruz Cemetery.

2 Years for Role in Church Brawl

BK1507121892 Jakarta THE JAKARTA POST in English 8 Jul 92 p 2

[Excerpts] Dili (JP)—The Dili district court yesterday sentenced a man to two years imprisonment for his part in a brawl near the Motael church on October 20 last year.

The panel of judges, presided over by A. Ratu Tanahbong, found the defendant, Joao Dos Santos guilty of causing fatalities as stipulated in Article 170 of the criminal code. The sentence was more lenient than the three-year term demanded by prosecutor Saul Lukas.

The 23-year old Joao accepted the verdict calmly, but his mother broke into tears as her son was pronounced guilty. [passage omitted].

In previous trials, the Dili court has sentenced four other men in connection with the Motael brawl, which claimed two lives.

With this last verdict, all five people arrested in the Motael incident have been sentenced. [passage omitted].

Laos

Pact To Establish Consulates Reached With DPRK

BK1407122892 Vientiane KPL in English 0905 GMT 14 Jul 92

[Text] Vientiane, July 14 (KPL)—The Lao PDR [People's Democratic Republic] and the DPR [Democratic People's Republic] of Korea on July 13 signed here an agreement on establishment of consulates between the two countries. Signing the agreement were, on the Lao side, Deputy Foreign Minister Mr. Soulivong Phasitthidet, and, on the DPR of Korea side, Deputy Foreign Minister Mr. Choe Su-hon.

The signing of the consulate agreement between the two countries represented another important landmark for the consolidation of the bilateral relations of friendship and cooperation which correspond well with the reality [of] the Lao PDR and the DPR of Korea. This would facilitate contacts, trade, and cooperation in economy, culture, and others.

Mr. Choe Su-hon and his delegation arrived in Vientiane to officially visit Laos on July 12.

Delegation Calls on Vice Premier, Departs

BK1507100092 Vientiane KPL in English 0858 GMT 15 Jul 92

[Text] Vientiane, July 15 (KPL)—Mr. Phoun Sipaseut, vice prime minister and minister of foreign affairs, yesterday received the visiting Foreign Ministry delegation of the DPR [Democratic People's Republic] of Korea led by its deputy minister Mr. Choe Su-hon.

Mr. Phoun Sipaseut congratulated the Korean delegation for the successful visit; particularly he hailed the signing of the consulate agreement between the two countries which he regarded as useful for the expansion of relations of friendship and cooperation in various fields between Laos and the DPRK.

Mr. Choe Su-hon and his delegation left here yesterday afternoon ending his three-day official visit to Laos.

Phoun Sipaseut Meets SRV Border Committee Group

BK1407122092 Vientiane KPL in English 0903 GMT 14 Jul 92

[Text] Vientiane, July 14 (KPL)—A delegation of the border committee of the Council of Ministers of the Socialist Republic of Vietnam led by its chairman, Mr. Le Minh Hien, yesterday paid a courtesy visit to Mr. Phoun Sipaseut, vice prime minister and minister of foreign affairs of the Lao PDR [People's Democratic Republic].

Mr. P. Sipaseut expressed satisfaction over the result of the meeting on border issues between Laos and Vietnam taking place in Vientiane on July 8, 1992, especially the

regulation regarding border contact and trade, and the prevention of undesirable events along the border.

"The restoration of the border issue is also a great contribution to the expansion and development of the friendly ties between the parties, governments, and people of Laos and Vietnam," underlined Mr. Phoun Sipaseut.

World Bank Sponsors Seminar on Poverty Reduction
BK1507100692 Vientiane KPL in English 0853 GMT 15 Jul 92

[Text] Vientiane, July 15 (KPL)—A 2-day seminar on the issue of poverty reduction and analysis cosponsored by the Ministry of Economy, Planning, and Finance, the World Bank and UNICEF was officially opened yesterday morning at the National Institute of Administration and Management, Vientiane, by Mr. Khamsai Souphanouvong, EPF's [Economy, Planning, and Finance] first deputy minister.

The seminar chaired by EPF's Vice Minister Boutsabong Souvannavong yesterday touched on some crucial questions as follows: poverty and development overview, strategies for (?minimizing) poverty, the World Bank role in the matter, poverty statistics, the link between economic policy and poverty, social sector analysis and poverty policy, ways in which human capital investment affect labour productivity.

Taking part in the discussion were officials of various state institutions and mass organisations, such as the Lao Women's Union. Also present were representatives from the UNDP [UN Development Program], the World Health Organisation, the FAO [UN Food and Agriculture Organization], SIDA [Swedish International Development Agency], and NGO's [nongovernmental organizations].

Presenting papers was the World Bank team led by Mr. Bradley Babson, division chief of the Population and Human Resources for East Asia and the Pacific. Other resource persons were Mr. Emmanuel Jimenez, chief of the Poverty Analysis and Policy Division, Mr. Christopher Chamberlain, senior economist of the Population and Human Resources Division for East Asia and the Pacific, and Mr. Anil Detlalikar, professor of economics at the University of Washington.

Wednesday's agenda dealt with methods of policy analysis and use of social surveys, tools and methods of poverty analysis, public expenditure analysis, and the statistical system for poverty measurement and analysis in Laos.

Philippines

U.S. Defense Pact May Be Invoked Over Spratlys
HK1407142392 Quezon City Radyo ng Bayan in Tagalog 1000 GMT 14 Jul 92

[Text] Foreign Secretary Raul Manglapus stated that the Philippines may invoke the 1951 Philippines-United

States mutual defense treaty to get the United States to help the Philippines in case a war breaks out in the Spratly Islands.

Here is Jojo Ismael with the details:

[Begin Ismael recording] In the roundtable forum at the Manila Pavillion Hotel, Manglapus said he believes the United States will help the Philippines in case of a foreign invasion in Philippine-controlled islands in the Spratlys.

But, he clarified that he supports a proposal in the Senate to review the treaty to determine the agreement's extent.

Meanwhile, Senate Foreign Relations Committee Chairman Blas Ople said the agreement, in line with the Treaty of Paris, covers only the territories and fishing areas that are clearly within the Philippines. Ople added that Washington is of the opinion that the Spratlys are not part of the Philippines. [end recording]

In a related development, Senator Ople said there is a need to revise the mutual defense treaty to determine how far the United States will help the Philippines in case it is attacked by other countries.

Ople made the statement as tension built up over the Spratly Islands and the ongoing arms race among Asian countries such as China, Thailand, and Malaysia.

PRC Seen 'Flexing Its Muscles'

HK1507052492 Manila PHILIPPINE DAILY INQUIRER in English 15 Jul 92 p 6

[Text] Foreign Secretary Raul Manglapus said on Tuesday China was flexing its muscles with the departure of U.S. forces from Southeast Asia.

He told reporters one week before the ASEAN foreign ministers' conference in Manila that the end of the Cold War could force Southeast Asian countries to work more closely together in protecting their own security.

"China slept for a long time under a soporific ideology. Now, it is waking up," Manglapus told a press conference.

"China is merely living up to historical expectations that being such a big country, it would not fail but to flex its muscles.

"You cannot avoid geography. China and Japan have a love-hate relationship. There's enmity (between them). We're not the only ones in the middle but the whole of Southeast Asia is caught in the middle."

Rivalry between Japan and China may increase sharply with the withdrawal of U.S. forces from the Philippines by the end of 1992 along with the disintegration of the Soviet Union last year, he added.

Recent steps by Beijing to underline its claim to the disputed Spratly islands have prompted ASEAN—which groups Indonesia, Brunei, the Philippines, Thailand,

Malaysia and Singapore—to propose an international conference to settle the issue. China has resisted the idea.

"Perhaps the ASEAN meeting might produce a declaration on a multilateral meeting on the Spratlys," he said. "The suspicion that oil is found in that area has served to sharpen rivalries there."

China, Vietnam, Malaysia, the Philippines, Taiwan and Brunei claim all or part of the Spratlys, an isolated cluster of islands and coral reefs in the South China Sea.

Manglapus said ASEAN countries favored the continued presence of U.S. forces in Southeast Asia because it is "better to deal with the known than with the unknown."

"I think Southeast Asian countries would not like to be dominated by anybody, whether Asian or non-Asian," Manglapus said.

U.S. forces are to abandon their last military base in the Philippines at Subic Naval Base after the Senate in Manila rejected a new 10-year treaty last September.

The foreign secretary said countries in Southeast Asia no longer feared nuclear confrontation, but were wary of regional conflicts breaking out and threatening their prosperity in the fastest growing area of the world.

They were also worried that with the departure of U.S. forces, "the vacuum will have to be filled by someone," Manglapus said. ASEAN foreign ministers will be discussing political and economic issues with the United States and Japan next week. Delegations from China, Russia, Vietnam and Laos are also attending the conference.

Japan, ROK Plan Alliance

HK1507084292 Manila DZXL Radio Mindanao Network in Tagalog 0700 GMT 15 Jul 92

[Italicized words in English]

[Text] The Philippines, Japan and South Korea plan to form a military alliance against China in case war breaks out over the Spratly Islands.

Foreign Affairs Secretary Raul Manglapus said the Association of Southeast Asian Nations plan to ask the United States for a security blanket for the Asia-Pacific region in case conflict over the Spratlys worsens.

At present, China is building up its military forces to claim some parts of the Spratlys and plans to start oil exploration in the South China Sea.

Asian nations, however, expect that the Spratlys issue will be resolved peacefully.

In this connection, South Korea will make armored vehicles for the Philippines. This was confirmed by Major General Yon Jong Ho, chief of the Defense Ministry Logistics Department, who said the plan covers only Korean-developed items. This does not include

American-patented weapons that require permits from the United States before they can be sold abroad.

South Korea now produces military hardware, including tanks and crew-served weapons. It is expected to manufacture armored vehicles that can be used by the Philippine military.

Japan Concerned Over Manila's Revenue Shortfall

HK1507081792 Manila PHILIPPINE DAILY INQUIRER in English 15 Jul 92 p 18

[By Arlene Chipongian]

[Text] The Japanese government has indicated concern over the continued revenue shortfall of the national government and its adverse impact on the sustained inflows of Japanese official development assistance into the country.

Kasuo Sunaga, first secretary of the Japanese embassy in Manila, said yesterday that the Philippine government faces a "serious problem" if it cannot allocate peso counterpart funds for foreign-assisted projects.

"If the Philippines wants Japanese financed projects to continue, this problem will have to be solved," Sunaga said.

The possibility of substantial revenue shortfall in the second half of this year had been raised by the Department of Budget and Management, saying the budget deficit could balloon to P21.6 billion [pesos], way above the programmed P9 billion cash shortfall as agreed upon with the International Monetary Fund (IMF) under the economic stabilization program.

The shortfall comes at a time when the country is set to open negotiations for the much-delayed 18th yen loan package from the Overseas Economic Cooperation Fund (OECF) of Japan. The package is worth about \$1 billion.

Japan is the country's biggest source of grants and concessional loans amounting to \$1 billion-\$1.5 billion annually.

Sunaga said that Tokyo wants Manila to complete the IMF's second formal review and the new money-debt structuring program with the Paris Club before it starts negotiations on the OECF facility.

The revenue shortfall has prompted the Ramos administration to cut back on spending and diverting money earlier set aside as counterpart funds to other government expenditures.

Baguio City Receives Grant From Japan

HK1507070892 Manila MANILA BULLETIN in English 15 Jul 92 p 10

[Text] Baguio City has received a grant-in-aid package from the Japanese government worth some 1.1 billion yen or P223 million [pesos] for the improvement and rehabilitation of the city's sewer system, the Local Water Utilities Administration (LWUA) announced.

The financial package will come in the amounts of P97 million and P126 million for the first and second stages, respectively, of the project. The multi-million-peso grant was extended by the Japan International Cooperation Agency (JICA) at the request of the Philippine Government and LWUA.

According to engineer Emmanuel Malicdem, LWUA engineering manager for Northern and Central Luzon, the first stage of the rehabilitation project was begun last May and will be completed in February of 1993. The second stage will start in April next year following the completion of the ongoing project.

Malicdem said the city government has asked the LWUA for technical support and supervision during the construction phase of the project. Assigned to supervise construction and assist the Japanese consultants of the project are LWUA resident engineers Ceferino Aguinado and Rommel Falcon.

Contractor of the project is the Tobishima Corp. while overall project implementor and consultant is the Nippon Jogesuido Sekkei Co. (NJS), both Japanese firms.

The project calls for the installation of about seven kilometers of sewer lines in various sizes that will pass underneath major thoroughfares of the city; construction of three sewage intake facilities in several creeks; and the supply and delivery of computer and other technical equipment and appurtenances.

Baguio City residents are optimistic that when the project is finally completed the pollution of several creeks and rivers around the locality will be abated.

The Balik river, for one, has become polluted due to the untreated waste water being discharged into it. This, the residents hope, will be corrected by the improved sewer system.

Private Sector Cool to ASEAN Free Trade Zone

*HK1507055292 Manila THE CHRONICLE in English
15 Jul 92 p 3*

[Text] A plan to turn the Association of Southeast Asian Nations into a free trade zone in the next 15 years is being received coolly by the private sector in member countries.

Foreign Secretary Raul Manglapus acknowledged yesterday that the proposal for an Asean Free Trade Area (Afta)—as well as the agreement to lower tariff barriers among Asean members—is worrying businessmen, including those in the Philippines.

"The reaction of the private sector in those countries, even in the Philippines, is not one of unanimous acclamation," Manglapus said at a breakfast forum at the Manila Pavilion.

He attributed the apprehension to fear of losing what may be some protection from their governments in the past, and a natural "fear of the unknown."

The Philippines, Thailand, Malaysia, Singapore, Indonesia and Brunei agreed at the Asean summit in January to lower tariff among Asean-selected products. Certain categories will be lowered to 20% in January 1993, under a gradual schedule to be completed in 15 years when tariffs should range from zero to 5%.

Since the signing of Afta and the agreement on a common effective preferential tariff (Cept), Asean governments have been consulting their businessmen on how it would be implemented.

It has raised "some question marks" for businessmen in Asean countries "which (for them) have not been answered," Manglapus conceded.

Ramos Inaugurates Malacanang in Mindanao

*HK1507060492 Quezon City Radyo ng Bayan
in Tagalog 0219 GMT 15 Jul 92*

[Speech by President Fidel V. Ramos in Davao City during the inauguration of the Malacanang in Mindanao and the induction of Paul Dominguez as the presidential assistant for Mindanao—live; in English; italicized passages in Tagalog]

[Text] My countrymen, may I acknowledge with deep gratitude, because of the efforts they have taken to gather us all here together, first of all Mayor Robito Pepe [applause]; Mr. Chito Ayala [applause]; Mr. Paul Dominguez [applause]. I also would like to greet our distinguished members of the Philippine Senate: Senator Biazon, Senator Guingona, and Senator Rasul [applause]; the honorable members of the House of Representatives, both present and those who are represented here; our hard-working governors and city mayors, as well as municipal mayors of all Mindanao; other local government officials, especially our members of the provincial board, the members of our city and municipal councils, our barangay captains and the barangay council members; my co-workers in the cabinet; other co-workers in government; the leaders of the key sectors here in Mindanao and Davao City—the farmers, the educators, the fishing folk, the religious, the media, the youth and the students, the nongovernment organizations and the people's organizations. A good morning to all of you.

Thank you Mayor Tuterte for your kind words of welcome. [applause] I do not know whether I shall accomplish all you want to be done in 100 days [applause], but maybe we will settle for 99 days. [applause] And I thank all of you again, ladies and gentlemen, who represent the major constituents of Mindanao, for coming to join us here on this occasion.

If this is the first visit that I am making as your new president, and if this occasion speaks eloquently of

anything, it is to fulfill my promise to bring the presidency closer to the people. And it also symbolizes the administration's renewed attention and concern for the people of Mindanao. [applause]

Although I did visit, upon inspection [as heard], the lahar-affected areas in Central Luzon last Sunday, this visit to Davao and Mindanao is my first-ever scheduled official trip as president of the republic. [applause] This choice of my first official destination also speaks of my affinity with Mindanao. As the former cabinet officer for regional development, or CORD, for Region IX during the Aquino years, I have become very familiar with the conditions and aspirations of our people in this area. I also spent quite a bit of time as your secretary of national defense, your chief of staff of the Armed Forces, and your chief of the Philippine Constabulary-Integrated National Police in the other regions of Mindanao. And while I do not come from these islands, because of the closeness to my heart of this part of our country, I almost feel like I am also one of Mindanao's native sons. [applause]

This trip will certainly not be the last. It is but the first in a series of regional trips I shall soon be making throughout Mindanao. *To the leaders and our friends in Regions IX, Region X, Region XII, and Region ARMM [Autonomous Region of Muslim Mindanao], just wait for me. I will be there sooner than you think.* [applause]

I came here today for three purposes: to express gratitude, to start fulfilling my promises, and to ask once again for your support behind our program of government.

Let me now thank you most sincerely for helping in the last elections. The consistent support I got from Mindanao enabled me to win one of the most closely contested elections in our history. To me, what was the most touching about all of this was that neither I nor my running mate, vice presidential candidate Lito Osmena, came from these parts. But your showing was a clear manifestation of your confidence and trust that I can lead this nation better than the aspirants from the other parties.

But that is now all past and behind us. We have six years in front of us, and so I have come here to start delivering my campaign promises to you. [applause] I promised then that I would accelerate economic growth in the region. This I would do by bringing the national government closer and within the reach of the people of Mindanao. And so today, I am happy to announce the appointment of Paul Dominguez as the presidential assistant for Mindanao. [applause] Paul, stand up and take a bow. Thank you. In effect, he will be an extension of my office, a direct link to the various sectors in this area, and will act in support of all other executive officials in this part of the country.

The Malacanang for Mindanao, which Paul Dominguez will head, will facilitate decisionmaking with regard to issues that affect our people's interests and wellbeing. It shall monitor and report to me the planning and the implementation of critical projects in Mindanao.

And so, let me now, right here, give my first official order to him. Paul, I am directing you to furnish me as soon as possible a list of what can be done right away for Mindanao. [applause] And with your help, ladies and gentlemen, I want him to draw up at once an integrated master plan for this island's development, building upon what already has been prepared by so many groups, including those of the recent past, for the accelerated and more effective growth of this important part of the Philippines.

But before Paul will tell me what I should be doing as his boss, let me also announce to you what I have done right away for this part of Mindanao. I shall be turning over to the Southern Philippines Development Authority checks from the National Reconciliation and Development Program Council, or the NRDP Council, funds totaling 9.7 pesos for distribution to the many rebel returnee groups throughout Mindanao. [applause]

It is not true that this fund was used for Eddie Ramos's campaign. And I hope that the cabinet officers concerned in the previous administration will not get into jail because of alleged manipulation of the rebel returnee funds under the NRDP.

Another check in the amount of 5 million pesos from the president's social fund is also being given to the Institute of Primary Health Care [applause] of the Davao Medical School Foundation. The Davao City Fire Department is getting one more fire truck courtesy of Secretary Alunan of the Department of Interior and Local Government, and finally 500,000 pesos shall be provided to the Fruit Development Cooperative of Davao, for the improvement of fruit production and quality, as well as 108,000 pesos to the Kuambugan farmers, with multipurpose livelihood association for swine-weaning and production, through the Department of Agriculture. [applause].

But this is not all, because there are some bigger ones. We would like you to know that I have instructed our Department of Public Works and Highways, under Ping de Jesus, the faster development of infrastructure in Mindanao, particularly the Mindanao arterial road network, to be given priority during my six-year term starting in 1992. [sentence as heard] And then—go ahead and applaud for Secretary de Jesus [applause]—and then, high in the order of priority within this network will be the General Santos-Digos-Davao City-Bukidnon road improvement project, which will interconnect with the fastest-growing major industrial and growth centers in Mindanao. These projects are included in the list of projects under the IBRD [International Bank for Reconstruction and Development] highway management loan. The other areas need not worry because, this early, we are already thinking of a Mindanao expressway system in order to prepare the region for the 21st century. [applause] And so, I have directed Secretary Ping de Jesus to initiate the plans for a proposed Mindanao expressway system interconnecting all the major growth centers and linking them with the major airports and seaports in the five regions.

And of interest to those of you here in Davao City, the proposed interchange at the intersection of Laurel and Buhangin will be implemented [applause], starting not later than December 1992, for completion not later than March 1993. This project has an estimated cost of about 50 million pesos, half of which can be charged to the 1992 budget and the other half to the 1993 infrastructure program.

But we must pay our taxes.

Those programs for the Department of Transportation and Communications will also be forthcoming, and we would want to make sure that Mindanao, as a vital component of our republic, shall be well connected to the center of government in Malacanang and in Manila, as well as to other growth centers throughout the country.

At this juncture, let me ask you all to join me in the fight against poverty, unemployment and high prices. The war against all these enemies of our development can be won simultaneously as we harness our energies, time, and resources toward productive endeavors that shall bring about self-reliant communities. Each community that attains self-reliance becomes an additional building block to the strong nation that we envision. Thus, the strength of the nation depends on its solid foundation, on the building blocks that are our rejuvenated communities.

I am aware of the many obstacles that hinder the development of Mindanao—its public infrastructure, especially power, highways, transportation and communications. In addition to these, I am aware of its peace and order problems. But, let us also make sure that the vast potential of natural and human resources in Mindanao are made known to both domestic and foreign investors.

The hardships that we encounter today are not without solutions. My administration will do everything within its power to create an atmosphere in Mindanao conducive to growth. But you must discover for yourselves how you can contribute your share, and together we can transform Mindanao into a center of economic growth in our country.

And among the first steps, I am now instructing all government banks to establish a Mindanao credit committee, whose board meetings will be held here in Mindanao. This is decentralization in action, which I hope private financial institutions will follow. I am also directing the secretary of the cabinet, Mrs. Leni de Jesus, to schedule, from time to time, cabinet meetings and cabinet cluster meetings in the various regional centers of Mindanao. *You may also clap there.*

Your region brims with great potential; that's why I cannot see why we should fail here in Mindanao. It's blessed not only with a favorable climate and as yet vast undeveloped lands. Perhaps just as important as all of these is the strategic position of Mindanao in relation to the economic tiger nations of Southeast Asia, which makes this island the ideal link to productive ventures with these other countries. Above all, we know that the people here in Mindanao, who are

mostly of the pioneering spirit, are well-known for their remarkable attributes of determination, business skills, and resourcefulness.

Let me assure you that the agenda is clear and our course is set. And whenever we shall have the policy instruments and the program and organization to match, we will move with dispatch in the implementation of projects and in the prosecution of reforms. Whenever we must act, action we will provide; responsible, resolute and relentless action until our objectives are won.

To cite an example, let us take the power crisis, which is of such concern to you here in Mindanao. What we are empowered to do about the problem, solely from the seat of the executive, we have just about completed. The emergency measures are now in place. Projects have been commissioned or contracted. And this is for the purpose of shortening the periods of brownouts here in Mindanao. But the larger the agenda of establishing [as heard], the more long-range programs.

The organization of a department of energy must await the approval of Congress. But this remaining hurdle notwithstanding, let me say that by the end of the first 100 days of my presidency, I believe that we will have put in place the projects and the programs necessary for permanent relief from the energy crisis. And before the end of the next dry season, perhaps by the end of the first quarter of next year, I believe that we shall have enough power supply to light up again our homes and drive our industries.

Thirty-eight years ago, one of my predecessors, the revered Ramon Magsaysay, enunciated the principle that those who have less in life should have more in law. I believe it is now time to bring that principle into reality, that the least among us should have more both of the law and of life. For it is the lack of opportunities, even more than the lack of protection in law, that underpins the poverty of the great majority of our people.

To the communities we therefore proclaim: As a major concern of this administration, we will match with commitments to our citizenry—especially the working man, the farmer, the fisherman and the poor—what we pledged to our urban sectors, who will map these programs and resources for our rural areas. Indeed, it is essential that for our most distressed communities, we must divert a greater proportion of our resources and attention, for only in this way can they catch up and take part in the great adventure of development. All must be empowered so that they can contribute their best to national life.

Lend me, then, your unwavering assistance in making this dream come true for all Filipinos. Lend to this program your energies, your own leadership, your imagination and your zeal, and I pledge to you the unwavering commitment of my presidency.

This is the major purpose of my visit here to Mindanao and this is the message I hope you will carry with you to

your own neighborhoods, to your own communities and to your own provinces. Thank you very much.

Air Force Chief Inaugurates Radar Facility

HK1507064192 Manila MANILA BULLETIN in English 15 Jul 92 pp 1, 21

[By Louie Perez]

[Text] Villamor Air Base—Lt. Gen. Loven C. Abadia, Philippine Air Force (PAF) chief, inaugurated yesterday the new radar facility of the 584th Aircraft Control and Warning Squadron [ACWS] at the Rio Tuba Nickel mining concession area in Bataraza, Palawan.

The PAF chief unveiled a marker at the radar station and switched on the Central Report Post (CRP) antenna to signify the start of operation of the early warning network in the southwestern frontier.

Abadia said that the place is the only area which has the semblance of air defense with the new radar complementing the few remaining F-5A fighter interceptors stationed in Puerto Princesa.

During the inauguration activities, one T-33 jet trainer flew twice over the radar station to perform radar and communication flight checks. This was followed by an F-5A jet fighter simulating a flight scenario. Two other F-5As also made a low-level pass over the station to test its early warning capability.

Construction of the Rio Tuba radar station was started early this year in line with the programmed modernization of the PAF.

A memorandum of agreement (MOA) was signed by Abadia and Rio Tuba Nickel president Manuel Zamora Jr. for the establishment of the radar facility inside the concession area for the air defense surveillance network of the country.

According to the MOA, Rio Tuba will also provide the radar station with free water and electricity as well as access to the Rio Tuba School to children of PAF personnel assigned to the station. The facility is also accessible to a nearby pier and an airstrip that can accommodate a C-130 aircraft.

The Rio Tuba is operated by the 584th ACWS under the 580th Aircraft Control and Warning Wing headed by Brig. Gen. Gerardo Payaoan.

Report Received on Safety of Nuclear Power Plant

HK1407062392 Quezon City ABS-CBN Broadcasting Corporation DZMM in Tagalog 0400 GMT 14 Jul 92

[Text] President Fidel V. Ramos has officially received the report by the three nuclear experts assigned to determine the safety of the Bataan Nuclear Power Plant [BNPP]. The report deemed the BNPP safe. The report also said that the plant would be very beneficial to the

country if only its upgrading and operation would comply with all the guidelines set by the Westinghouse upgrading program.

Although the international nuclear experts have confirmed the plant's safety, their study, however, was limited only to the parameters set by the program for rehabilitation submitted. It could not yet be determined if the experts conducted similar studies on the defects of the existing BNPP structure's workmanship.

Meanwhile, President Ramos has refused to give any official comment on the results of the study until he has studied the contents of the report.

The nuclear experts who conducted the study on the Westinghouse BNPP upgrading and rehabilitation program were Dr. Charles Joseph Hendrix, former chairman of the U.S. Nuclear Regulatory Commission; Dr. Yvonne Chu, chairman of the Taiwanese Atomic Energy Council; and Professor Michiwa Ichikawa, member of the Nuclear Physics division of the University of Hokkaido, Japan.

The Ramos administration hopes to issue a final decision on the matter by the third week of August.

Meanwhile, Acting Executive Secretary Peter Garrucho said the Ramos administration is still insisting on consulting the presidential legal advisers on whether Congress's approval is still needed for the operation of the BNPP. This is despite an earlier announcement by Malacanang that it is open to consultation and will attach importance to the political and public acceptance of the project.

Rebels Urged To Abandon Violence To Get Amnesty

HK1407143192 Quezon City Radyo ng Bayan in Tagalog 1000 GMT 14 Jul 92

[Text] Communist rebels and rightist rebels must first renounce violence before the government grants unconditional amnesty. President Ramos stated this as he emphasized that the amnesty program will be realistic.

Ramos said it is just proper that amnesty be pursued if the rebels renounce armed struggle.

The president said the guidelines for the amnesty are being readied in time for the opening of Congress on 27 July.

Meanwhile, there is a big possibility that executive clemency will be granted to detained soldiers.

Defense Secretary Renato de Villa said safe-conduct passes will be issued to underground rebels, although this will be done on a case-to-case basis.

Meanwhile, Armed Forces Chief General Lisandro Abadia said they are reviewing 50 cases involving rebel soldiers who are now under detention.

✓ **Leader Rejects Condition for Amnesty**

HK1507025092 Manila DWIZ Voice of the Filipino People's Radio in Tagalog 2200 GMT 15 Jul 92

[Text] Nur Misuari, Moro National Liberation Front [MNLF] chairman, has rejected the condition set by President Fidel V. Ramos requiring rebels to renounce violence prior to a total and unconditional amnesty.

Misuari said the amnesty offered is equivalent to asking the MNLF leaders to forsake their aspirations for the Muslim nation. He said any new peace talks initiated by the new administration must be based on the framework of the 1976 Tripoli Agreement.

✓ **Governor Meets With Melito Glor Leader**

HK1507100492 Manila DZXL Radio Mindanao Network in Tagalog 0700 GMT 15 Jul 92

[By Myrna Mendoza]

[Text] Quezon Governor Eddie Rodriguez has begun talks with Comrade Roger of the Melito Glor Command on the Ramos administration's amnesty offer. According to Governor Rodriguez, he would talk to Secretary Raul Alunan of the Department of Interior and Local Government to ask for the inclusion of a viable livelihood program in the government's rebel-returnee program. He also said it would have been better if nongovernmental organization were consulted in the formulation of the Ramos administration's general amnesty program. He added that an amnesty would be more effective if the government had a ready means of livelihood for the returning rebels.

✓ **Call for Mitigation of Charges**

HK1507100592 Manila DZXL Radio Mindanao Network in Tagalog 0700 GMT 15 Jul 92

[By Joe Capadocia]

[Text] High-ranking leaders of the Communist Party of the Philippines-New People's Army-National Democratic Front [CPP-NPA-NDF] have asked that the criminal cases filed against them by the government be converted to political cases before they accept the Ramos administration's amnesty offer. This was announced by Congressman Jose Yap, Ramos' representative in the negotiation with the rebels, particularly with the members of the CPP-NPA-NDF.

Yap personally visited detained rebels Satur Ocampo, former NDF peace negotiator; Romulo Kintanar, former NPA chief; and Ricardo Reyes at a military stockade in Fort Bonifacio earlier today. A visitor, Bobby Malay [wife of Satur Ocampo], was there, too.

Ocampo said that his colleagues are asking that the cases filed against them be mitigated as a sign of the new government's sincerity in its amnesty offer.

Congressman Yap is also scheduled to meet with Jose Maria Sison, CPP chairman, and Luis Jalandoni, former priest and NDF spokesman, who are based in the Netherlands.

✓ **Government To Hold Informal Talks**

HK1507075092 Manila THE CHRONICLE in English 15 Jul 92 p 15

[By Manny Mogato]

[Text] Government emissaries are scheduled to meet with communist guerrilla leaders in Europe next month to immediately hold informal talks and help end the bitter armed conflict in the country, Tarlac Rep. Jose Yap said yesterday.

"I will try to get in touch with the people in the field," he told reporters after attending a meeting between President Ramos and the Laban ng Demokratikong Pilipino [Struggle of Filipino Democrats] in Malacanang.

Yap said he would lead a group of congressmen to help liaison between the rebels and the government on such political issues as agrarian reform and human rights, which the former wanted to include in the talks.

The Tarlac congressman, whom Ramos earlier designated as government emissary to the communist rebels, said he wanted to have informal meetings with guerrilla leaders first, to set the proper agenda for formal negotiations for a peaceful settlement of the 23-year old insurgency problem.

He added that he had already scheduled a series of meetings and consultations with detained and exiled communist leaders to get a consensus and "feel their pulse on the issue."

Yap will meet today with detained communist leaders Saturnino Ocampo and Romulo Kintanar, both former Communist Party of the Philippines [CPP] central committee members, at their Fort Bonifacio cell.

On the first week of August, Yap will meet with Jose Ma. Sison, the alleged CPP chairman, in the Netherlands.

Yap said the meeting with Ocampo and Kintanar was consultative in nature, and would seek permission to contact underground communist leaders in the field.

After the two meetings, the emissary would then meet with the underground leaders. Yap said the Armed Forces was willing to issue safe conduct passes to underground leaders he would talk with.

He also said he has scheduled meetings with Ramos cabinet officials involved in the formulation of an amnesty program to convince them to grant a program more acceptable to the rebels.

Yap will propose that the Cabinet Cluster E headed by Defense Secretary Renato de Villa allow him to informally meet with the rebels before it formally meets with them.

The rebels, Yap said, wanted certain points included in the peace agenda, including the suing of rebel leaders with political charges instead of criminal charges like illegal possession of firearms.

"Hindi naman mabigat yung mga hinihingi nila [What they are asking for is not difficult]," he said, adding that the "government will probably have an open mind on these issues."

Yap also expressed confidence that an absolute and general amnesty could still be worked out instead of a selective and conditional one.

The Tarlac congressman met secretly with Luis Jalandoni and Byron Bocar, leaders of the National Democratic Front, the CPP political arm, in Hong Kong and Europe during the last days of the Aquino government.

Thailand

Laotians Arrested on Insurgency Charges

*BK1507021292 Bangkok BANGKOK POST in English
15 Jul 92 p 1*

[Text] Seven Laotians carrying US passports have been charged with attempting to carry out insurgent activities in Laos, National Security Council secretary-general Charan Kunlawanit revealed yesterday. Gen Charan said four Laotians were arrested in Bangkok and the others in Chiang Kan District of Loei Province on Saturday. He declined to say where the Laotians are being held.

All the arrested are Hmong alleged to have used US passports to enter Thailand from the United States. Police said they found walkie-talkies and other evidence indicating the group was planning to enter Laos.

The Laotians are being questioned by police in Chiang Kan and Bangkok, Gen Charan said. He also said he already advised Laos Deputy Foreign Minister Subanh Salitthilat during a meeting in Rayong Province.

The United States has also been told to keep an eye on Laotians in that country.

The arrested were the first Laotians held in Thailand on insurgency charges.

Deadline Set for Repatriation of Lao Refugees

*BK1507023492 Bangkok BANGKOK POST in English
15 Jul 92 p 6*

[Text] Thailand, in an attempt to solve the refugee problem, has set a deadline for Laotians living in the kingdom to return to their homeland or depart for a third country before 1995, National Security Council Secretary-General Charan Kunlawanit said yesterday.

Gen Charan made the statement after a tripartite meeting in Rayong Province involving high-ranking officials from Thailand, Laos and the United Nations High Commission for Refugees (UNHCR).

Refugees who remain in Thailand after the deadline will have their status changed to that of illegal immigrants. Thailand will then take legal action and deport them to the nearest border pass, he said. Gen Charan added that the refugees have two choices: return to their homeland or seek asylum abroad.

He acknowledged that in reality they have no choice but to go back to Laos because the chances of settling in a third country is almost impossible.

"They haven't realised that they have to go back because other countries don't want to take them," Gen Charan said. "Right now they have a chance to choose where to be relocated in Laos. But in the future we won't give them any alternative," he said.

Gen Charan added that the repatriation programme has been delayed mainly because the Laotians have not decided where to live and some districts in Laos such as Vientiane, Oudomsai, Sayaboury and Bolikhamsai are not secure.

Up to now only 1,882 Laotians have returned to their country which is far below the target number of between 5,000 and 6,000 people.

Laotian Ambassador to Thailand Bounkeut Sangsom-sak, who attended the meeting, said the Lao Government is prepared to take all the refugees, but such repatriation depends on the refugees themselves and whether they wish to return or go elsewhere.

One of the reasons Thailand has issued an ultimatum to the refugees is because the kingdom has since 1975 carried a heavy burden as far as the Laotian refugee problem is concerned, Gen Charan said. He confirmed that Ban Winai Camp in Loei Province will be closed down at the end of this year followed by Chiang Kham Camp in Chiang Rai Province next year.

The Thai Government, the Laotian Government and the UNHCR also agreed that 3,600 Laotian families would be repatriated in Phase II of the programme ending May next year. The parties also discussed how to increase funding for the programme.

Gen Charan earlier proposed a four-step principle to speed up the repatriation plan. The principle includes the repatriation scheme, the relocation plan to improve infrastructure in Laos, the Lao plan to raise the living conditions of Laotians and returnees and the Lao plan to develop the country on a par with its Southeast Asian neighbours.

But Werner Blatter, director of the UNHCR's regional bureau for Asia and Oceania, said the agency is only in charge of refugees and funding is very limited because of increasing demands for assistance worldwide.

Political Party Officially Changes Name

*BK1507022092 Bangkok BANGKOK POST in English
15 Jul 92 p 3*

[Excerpt] The Interior Ministry yesterday officially permitted the Puang Chon Chao Thai Party to change its name to Chat Phatthana.

An informed source said Interior Permanent Secretary Anat Anantakun approved the change a few hours after a party official lodged the request, a list of its executive committee and party logo with the ministry. The party can now legally organise its activities.

Election Division director Araya Wiwatwanit said Chat Phatthana was the only party seeking to change its name yesterday. Eight other groups have submitted requests to form parties but none has yet provided a list of members for registration.

Three of them submitted membership lists for officials to cross-check and ensure they did not overlap with other parties. They can officially ask to be registered after this is completed.

Eleven parties are registered with the ministry but Mr Araya believes some of them will be affected by members switching to Chat Phatthana.

He also believes not all the pending eight parties will register because some of them will also be affected by Chat Phatthana. [passage omitted]

Editorial Warns Voters on Political Realignments

*BK1507022892 Bangkok BANGKOK POST in English
15 Jul 92 p 4*

[Editorial: "Voters Must Be Alert to Political Charlatans"]

[Text] The speed with which political realignments are taking place, as characterised in the form of mass defections by politicians, the changing of allegiances, the dumping of "tarnished" prominent party members and, in one case, the emergence of a new party name to replace the old one for the sake of image boosting, is breathtaking, yet typical of Thai politics which is dynamic and fluid. The events which have been taking place in the aftermath of the "Black May" crackdown on pro-democracy movements show how adept our politicians are in changing their colours in accordance with the political wind of change in the same manner as a chameleon which changes its colours to suit its surroundings.

The most recent example of sudden political realignment, which has caught most Democrats by surprise, is the defection of Mr Prachuap Chaيسان, a long-time deputy leader of the Democrat Party, who abruptly joined the Chat Phatthana Party of former prime minister Gen Chatchai Chunhawan. A few more Democrats from the Northeast and a handful from the Samakkhi Tham Party, who are close to former House speaker Athit Urairat, are likely to

join the Chat Phatthana in the near future. The party now claims to have more than 80 former MPs from various parties under its wing. It also hopes to win as many as between 70-80 seats, including about 50 in northeastern constituencies, in the next Parliament.

Like the Samakkhi Tham when the party was first publicly unveiled last year, the appearance of top Chat Phatthana party members, including Mr Prachuap who was named the secretary-general, at a Bangkok hotel on Sunday caused a political storm, sending a shock wave across the whole political spectrum. But aside from the name, there appears to be nothing new about the party to instill the people with a sense of hope for a better future.

The majority of the Chat Phatthana members who are to contest the September 13 election are breakaway disciples of the despised so-called "Satanic" parties, namely the Samakkhi Tham, Chat Thai and Social Action which supported Gen Suchinda Kraprayun's premiership and are held accountable to a large extent for the "Black May" incident. The minority members come from dissenters of the pro-democracy parties. In other words, the party can be likened to "old and sour" wine in a new bottle.

As far as the Samakkhi Tham Party is concerned, it no longer exists. The adoption of a new party name, Thoed Thai, change of logo and the replacement of the party leader, Narong Wongwan, and the party secretary-general, Thiti Nakonthap, are merely cosmetic changes to give the remaining party loyalists a new image which they badly need to survive politically. Short of structural adjustments, Thoed Thai is essentially the reincarnation of the pro-military Samakkhi Tham Party.

While the active participation in politics of a group of young and prominent businessmen, known as Business Management Service and the decision by several of them to contest the election, is welcome and encouraging, the political realignment which is taking place in the pro-military parties offers a throwback to the kind of hopeless politicians of yesteryear.

With an array of former MPs now under his wing, Gen Chatchai may emerge as a strong contender for the prime ministerial post. He may have won admiration in business circles for his liberal trade policy and ambitious initiative to transform Indochina from a war zone into a trade zone. He may also have claimed economic achievement for double-digit growth which was as much attributable to the economic groundwork laid down by the administration of former prime minister Prem Tinsulanon. But his three years in office also left behind an unforgettable legacy of corruption scandals. The three million line telephone deal with the CP Group which was revised by the succeeding Anan Panyarachun administration and the Skytrain project, which also saw its contract scrapped by the Anan II Administration, represent just two of the controversies.

The voters have the right of choice. They can either elect the "old faces" who used to betray both them and the principles

of democracy or elect fresh representatives who will be more responsive to their political aspirations.

The future of the country rests with the voters. If the May incident is to be a lesson, they must ensure that it cannot recur. To achieve this they must make sure that they do not place their trust in the wrong candidate.

Commentary Views Chatchai's 'Political Comeback'

*BK1507032692 Bangkok THE NATION in English
15 Jul 92 p A6*

["Comment" by Thepchai Yong: "Chatchai's Tunnel-Visioned Politics"]

[Text] Gen Chatchai Chunhawan is finding himself in the sun again just when everyone thought he was out of the political landscape for good. But is it political tenacity or simply tunnel-visioned politics that has brought the 72-year-old seasoned politician back?

Chatchai's decision to desert Chat Thai Party in favour of the newly formed National Development Party [Chat Phatthana] is probably one of the biggest political twists in modern Thai history. Just a little over a year ago, the flamboyant political veteran was unceremoniously ejected from the premiership by a disgruntled military which painted a picture of his administration as one of the most corrupt the country had ever seen.

Now, Chatchai has informally declared himself a candidate for the premiership—thanks to the support from ex-MPs defecting from the same political parties which just two months ago stubbornly backed the prime ministership of one of the generals who had brought about his downfall in 1991.

Overnight, Chatchai has become a new political magnet, promising an "alternative force" to get this country out of its current political result of the events in May. Suddenly, a man who had presided over one of the country's most scandal-tainted political periods and whose political brinkmanship precipitated the military takeover is now emerging as a strong contender to become Thailand's 21st prime minister. But the prospect has so far caused more concerns than delight among keen observers of Thai politics. Chatchai, whether he wants to admit it or not, is simply not a man of the time.

The circumstances surrounding the birth of the National Development Party of which Chatchai is leader have cast a dark cloud over the ex-premier's political agenda. The fact that most of the politicians who have jumped on the new bandwagon are former members of the pro-Suchinda parties is enough to dilute whatever label Chatchai wants his party to have.

Chatchai's selling point was that his would be an alternative party for voters who did not want to vote for either the pro-democracy parties or those which identified themselves with the armed forces. But the gambit has been so thinly disguised.

The National Development Party has turned out to be nothing more than a melting pot for the chips from the old block, hoping to shed themselves of the bad image resulting from their support for Gen Suchinda Khrapayun as prime minister. Some observers even see it as an offspring of the Samakkhi Tham Party, the political party set up by the military to legitimise its political role.

Chatchai could have earned himself decent place in Thai history as a democratically-elected prime minister who had presided over one of the country's most economically prosperous times. But it appears that tunnel-visioned politics has gotten the better of him.

By throwing in the hat this time, Chatchai has dealt his old Chat Thai Party a heavy blow. In a way, it is a personal revenge. It was the current leadership of the Chat Thai Party, spearheaded by his erstwhile comrade-in-arms Banhan Sinlapa-acha, which engineered Chatchai's disgraceful exit from politics. Banhan sacrificed Chatchai for ACM [Air Chief Marshal] Sombun Rahong in order to befriend the military.

And when Chatchai expressed support for Democrat Party leader Chuan Likphai to succeed Gen Suchinda as prime minister he was snubbed by the Chat Thai leadership. So when Banhan came begging for Chatchai to return to the party's helm, the ex-prime minister struck back. But Chatchai's decision to come back is definitely more than just a personal revenge against the party which his family had come to be so closely identified with, before the fallout.

Judging from the statements he has been making, Chatchai could have been guided by self-delusion to believe that he was the only person who can pick up the political pieces in the aftermath of the May uprising. He tries to portray himself as the person who can bring back the Thai economy's "days of glory."

But the problems besetting Thailand today are far more complex than Chatchai wants to realize. Chatchai might have been an acceptable leader back then when the country was riding on the crest of economic prosperity and the people's political aspirations took a back seat. The events of May have left Thailand a wounded country and fundamentally changed the way people look at politics. If the people have a choice for its next leader, that person definitely must not be Chatchai.

Thailand needs a leader with a vision—something which Chatchai definitely does not have to bring it out of the current political impasse. It doesn't need a compromiser who plays games—the way Chatchai did so blatantly when he was in office—for party interests. And it certainly has no need for someone with charisma if it was a quality necessary to bring corrupt politicians together, like Chatchai did, to support a government.

We all know that Chatchai was nowhere close to being a good prime minister. But many people were ready to

forgive him partly because of the tragic way his administration ended. And Chatchai should realize that, instead of trying to capitalize on what he perceived as people's sympathy.

After what happened in May, Thailand deserves a new start. And Chatchai would have been in a very good position to make contributions toward that direction—only if he did what he had promised to do. Chatchai had offered to wash his hands of politics after quitting the Chat Thai Party last year and volunteered to serve society as a political observer.

Had that been the case, many people would have been willing to overlook many of his past misdeeds. After all, wasn't it Chatchai who gave the military an excuse to stage the coup with his political brinkmanship. And wasn't it Chatchai who made no qualms about extending a hand of friendship afterwards to the generals who deposed him. And wasn't it Chatchai who so openly declared that Gen Suchinda was a perfect choice as prime minister?

Chatchai should stop trumpeting what he claims to be his desire to fight for democracy through his political comeback. The composition of his National Development Party is itself a clear reflection of what he has in mind. If Chatchai is willing to be part of the vicious political circle again, he should not expect history to treat him nicely.

Politicians Respond to Kaset Remarks on Parties

BK1507030492 Bangkok THE NATION in English
15 Jul 92 p A1

[Text] Political leaders expressed strong distaste yesterday at Supreme Commander Kaset Rotchananin's refusal to renounce politics and rule out the possibility of another coup.

In his first public comment on the political situation since the bloody military crackdown on pro-democracy demonstrators in May, Kaset said the armed forces could not help but intervene if there was political turmoil after the September election. At one point Kaset said he hoped "lousy" political parties would not make their way back to Parliament.

Five political parties formed a military-backed government of Gen Suchinda Khraprayun, who was toppled in the May uprising, and were held partly responsible for the bloodshed.

The Samakkhi Tham Party, which is known to have close connections with Kaset, is disintegrating with mass defection by members who apparently tried to escape possible "punishment" by voters.

"One man cannot judge whether a political party is good or bad," Democrat leader Chuan Likphai said. "People will decide that."

Former Phalang Tham Party leader Chamlong Simuang said Kaset should take the anti-military uprising in May seriously.

"Staging a coup is not difficult. But to make a coup really successful is another matter," said Chamlong, who led the May street campaign against the armed forces.

"Just look at the May resistance and one will know whether a new coup will succeed," the ex-Bangkok governor added.

Sihanat Ruecha, an executive of the newly-formed National Development Party, said Kaset just reflected a "typical" soldiers' thinking.

"Soldiers have the conservative idea that whoever has an opinion different from theirs doesn't love the country and is bent on destroying the nation," Sihanat said.

"Why do soldiers' opinions have to be right? Why can't others think that it is some soldiers who destroy the nation and its economy?" he added.

The National Development Party [Chat Phatthana] was formed by ex-prime minister Chatchai Chunhawan, who was overthrown in last year's coup. Ironically, Chatchai was the only leading politician who declined to deride Kaset when approached by reporters yesterday. Chatchai reportedly had a private meeting with Kaset earlier this week amid speculation about rapprochement between the two.

"ACM [Air Chief Marshal] Kaset and I understand each other well. We can talk. There's no problem," Chatchai said.

Kaset's air force commandos seized Chatchai at gunpoint on board a military plane at the beginning of the Feb 23 coup.

The former prime minister is also fighting a corruption case in court after being ruled "unusually rich" by the Assets Examination Committee set up by the National Peacekeeping Council (NPKC) after the coup.

Yesterday's reconciliatory comment by Chatchai contrasted with his previous statement made when he launched the National Development Party.

Asked on Sunday if he was not afraid of a new coup, Chatchai said: "Look at the NPKC leaders now. They can't even walk openly on the streets."

Democrat leader Chuan yesterday also warned fellow politicians not to create any condition that would encourage another coup.

"To prevent soldiers from getting involved in politics, politicians who are to form the next government must not help create any pretext for them, corruption for example," Chuan said.

Paper Urges Abolition of Supreme Commander Post*BK1507091592 Bangkok MATICHON in Thai
15 Jul 92 p 8*

[Editorial: "Toward the Right Direction"]

[Text] The proposal to abolish the position of supreme commander, a step in the plan to restructure the armed forces, is worthy of consideration. Those who proposed it pointed out the fact that the king is already holding the rank of chief of the Thai Armed Forces and therefore there should be no duplication. Other civilized countries do not have this position. It exists only in Thailand.

Looking back in history, the position of supreme commander was created temporarily during war time. Field Marshal P. Phibunsongkhram (who never contributed to the strengthening of democracy) was supreme commander when Thailand entered World War II. The post was abolished when the war ended. It was restored later on by Field Marshal Sarit Thanarat (a coup maker who destroyed democracy) and has continued in existence until now.

A reason for Field Marshal Sarit Thanarat not abolishing the supreme commander post and its headquarters was that he wanted it to serve as a post for rewarding military officers under bureaucratic traditions. In fact, the position holds very little power and jurisdiction—something we must admit. A former supreme commander at one time even tried to expand the scope of responsibilities of the post to cover that of procuring weapons for the armed forces. Of course, the proposal was rejected by the three armed services.

A proposal to restructure the armed forces by abolishing the post of supreme commander is nothing new. There was talk of it after the overthrow of the tyrants following the 14 October 1973 student uprising. Yet, nothing has been done. Steps must be taken now, and seriously, in order to give the armed forces a structure that suits the present time. The world no longer endorses military involvement in politics, but rather needs the service of career militarymen who do not plot coups.

Should the post of the supreme commander and its command be abolished, that does not mean that Supreme Command officials will be dismissed. The officers are entitled to return to their original units or be transferred to other posts in the armed forces according to their suitability. The government has taken the right step by abolishing the post of director of the Internal Security Command, which, similar to the post of supreme commander, is not a permanent post. The time is now for the government to take further steps to restructure the armed forces to promote career officers and curb the possibility of a seizure of power by the military.

Vietnam**Recent Seminar on Spratlys Dispute Viewed***BK1407144192 Hanoi Voice of Vietnam in English
1000 GMT 14 Jul 92*

[Report on recent seminar in Indonesia on "control of potential conflict in the South China Sea," by PEOPLE'S ARMY correspondent Mai Linh—read by announcer]

[Text] This is the third seminar but the largest one. It was attended by 60 official delegates from ten countries in the region, namely six ASEAN member countries, Vietnam, China, Laos, and Taiwan.

In four-day sitting, the seminar discussed issues on scientific cooperation, environment protection, navigation safety guarantee, cooperation, process, and evaluation of organism and microorganism resources, territory, security, and major arbitration and sovereignty over the Hoang Sa [Paracel] and Truong Sa [Spratly] archipelagoes.

The Vietnamese delegation delivered two reports at the seminar entitled: "For a Sea Area of Peace," and "Disaster Caused by the Sea and Recommendations."

The Vietnamese delegation affirmed its sovereignty over the Truong Sa and Hoang Sa archipelagoes.

The Vietnamese state has exercised its sovereignty continuously and peacefully in conformity with international laws and practice. However, the Vietnamese state is ready to negotiate with parties concerned on the basis of respect for their sovereignty and interests.

Besides, the Vietnamese delegation also presented a scientific paper on the latest data collected in the two archipelagoes.

Through the seminar, regional countries further [passage indistinct] Vietnam's goodwill in solving disputes.

The participants proposed that such seminars be organized to help disputing parties to clearly understand each other's stand to solve all problems and promote peace, stability, and cooperation in the region.

Hanoi Comments on First CIS Summit Conference*BK1507060692 Hanoi Voice of Vietnam in English
1000 GMT 8 Jul 92*

[Station commentary]

[Text] Heads of the Commonwealth of Independent States [CIS] met on Monday, 6 July, at the Presidential Hotel in Moscow. The meeting took place at the time when republics are undergoing new changes. In some republics, conflicts continue. Here is our radio comment on the summit:

This is the first summit meeting of the heads of the CIS since the breakup of the Soviet Union. The opening day of the summit was marked by the outbreak of fierce fighting

between Azerbaijan and Armenia. The presidents of the two republics were reported absent at the meeting.

The purpose of the meeting is to settle the urgent economic and military issues facing the CIS. Commonwealth leaders are seeking solutions to defuse conflicts in the region.

In his speech on the first day, Russian President Boris Yeltsin said: The CIS has so far overcome the first difficult stage of its young life. However, in that period, weaknesses have been reviewed and [words indistinct] civil wars have destabilized the Commonwealth, thus the major objective of the summit this time is to find ways to stabilize the situation in each republic.

The world public hopes that the Commonwealth leaders will soon work out effective measures to settle all conflicts through peace and negotiations in order to stabilize the situation in the CIS and bring happiness to the people.

Commentary Hails Cooperation With CIS Countries

*BK1407141992 Hanoi Voice of Vietnam
in English 1000 GMT 13 Jul 92*

[Commentary by Minh Tam]

[Text] Vietnam and the Republic of Kazakhstan have exchanged notes on the establishment of diplomatic relations at ambassadorial level. Following is our radio opinion presented by Minh Tam:

It is safe to say that this event, together with the visit to a number of countries in the Commonwealth of Independent States by Vice Chairman of the Council of Ministers Tran Duc Luong, has marked a new development in the relations between Vietnam and these countries.

Despite the disintegration of the former Soviet Union, in the past Vietnam has continued to consolidate and develop the traditional relations with all the Commonwealth republics.

On 9 September 1991, Vietnam declared her recognition of the three Baltic states and set up diplomatic relations with these republics. In early 1992, a high-level delegation of the Vietnamese Government, headed by special envoy Premier Vo Van Kiet, visited Uzbekistan, Ukraine, and Byelarus. An agreement on diplomatic relations and on economic, commercial, cultural, and scientific and technological cooperation between Vietnam and these three states was signed on that occasion.

Early this month, Vice Premier Tran Duc Luong visited the Russian Federation, Byelarus, and the Republic of Udmurtia.

During his stay in the Russian Federation, Mr. Tran Duc Luong signed a protocol on goods exchange for 1992 between the two countries. On that occasion, the two sides affirmed their desire to maintain and further develop their comprehensive relations.

During his stay in Byelarus, Vice Premier Tran Duc Luong signed an agreement on encouragement [as heard] and investment protection and cooperation between the two countries in the field of telecommunications as well as other fields.

In the Republic of Udmurtia in the Russian Federation, Mr. Tran Duc Luong was received by high-ranking Udmurtian leaders. The two sides agreed to increase their friendly and cooperative relations in all fields in execution of a commercial and economic protocol signed in Hanoi previously between the two countries.

Vo Chi Cong Receives Indonesian Envoy

*BK1507152392 Hanoi VNA in English 1506 GMT
15 Jul 92*

[Text] Hanoi VNA July 15—President of the State Council Vo Chi Cong received in Ho Chi Minh City today Mr. Scuparjo Rustam, minister-coordinator for public welfare and special envoy of Indonesian President Suharto.

Mr. Rustam conveyed President Suharto's letter to invite President Vo Chi Cong to attend the 10th Non-Aligned Summit to be held in Jakarta from Sept. 1-6.

President Vo Chi Cong accepted the invitation with pleasure. Speaking on the occasion President Vo Chi Cong reaffirmed that Vietnam respects the stance and role of the Non-Aligned Movement (NAM) in the present complicated situation in the world. Vietnam, he said, highly appreciates Indonesia's positive contributions to the movement, and believes that in the position of NAM president Indonesia will play a greater role, and make greater contribution to the movement, first of all to the success of the coming summit. For its part, Vietnam will do its best to closely cooperate with Indonesia and other participants to make the summit a success, he added.

Mr. Rustam handed over a check for 15,000 USd from President Suharto to President Vo Chi Cong to help the Vietnamese people overcome the aftermaths caused by the recent tropical storm. Chairman Vo Chi Cong thanked President Suharto for his noble gesture, which he said is a new reflection of the fine traditional relations between the two countries.

Greetings to Japanese Communists Published

*BK1507070692 Hanoi VNA in English 0526 GMT
15 Jul 92*

[Text] Hanoi VNA July 15—The paper NHAN DAN of the Central Committee of the Communist Party of Vietnam in an article marking the 70th founding anniversary of the Communist Party of Japan [CPJ] today says that the coming into being of the CPJ marks a turning point in the cause of revolution of the Japanese working class and labouring people.

The paper goes on: "The Communist Party of Japan has over the past more than 40 years always upheld the banner of national independence and sovereignty, and

been in the van of the Japanese people's struggle against imperialism, monopoly capitalism, and the arms race, for an independent, democratic, peaceful, non-aligned Japan and for the people's rights to welfare and democracy. In the current difficult situation of the international communists and workers' movement, the Japanese Communists have persisted in their revolutionary will to defend the values of scientific socialism, thus actively contributing to the common struggle of the working class and the whole mankind for a nuclear-free and peaceful world, and for national independence, democracy and social progress".

The paper highly appreciates the whole-hearted support extended by the Communist Party and the people of Japan to the Vietnamese people in their past struggle for national independence as well as at the present national construction and defence.

"The Communist Party and people of Vietnam are always grateful to the CPJ for its profound sentiments and strong support to the Vietnamese people's revolution".

"The Vietnamese Communists and people always support the cause of the Communist Party, the working class and the working people of Japan as a whole," the paper says in conclusion.

French, Thai Banks To Open Branches in SRV

BK1407164492 Hong Kong AFP in English 1106 GMT 14 Jul 92

[Text] Hanoi, July 14 (AFP)—Banque Indosuez opened a branch Tuesday in Ho Chi Minh City, the first opened by a foreign bank in Vietnam, bank officials said.

The inauguration ceremony on France's National Day marked a return to Vietnam for Indosuez, which originated as the Banque d'Indochine during the period of French colonial rule and remained in Saigon until 1975.

Bangkok Bank of Thailand, another Vietnam veteran, was to open a Ho Chi Minh City branch on Wednesday.

The State Bank of Vietnam has so far licensed six foreign banks—four of them French—to open branches in Ho Chi Minh City or Hanoi.

At least six others are in the process of applying despite a 15 million dollar capital requirement, according to the official Vietnamese press.

Two foreign banks—Summa Bank of Indonesia and Public Bank of Malaysia—have opened joint venture banks here with Vietnamese partners.

Singapore Businessmen Attend Seminar on Investment

BK1507071892 Hanoi VNA in English 0521 GMT 15 Jul 92

[Text] Hanoi VNA Jul 15—Businessmen from Singapore were introduced to the possibilities of investment and

business undertaking in Vietnam at a seminar held in Ho Chi Minh City last Monday.

The seminar was sponsored jointly by the industrial and commercial bank, Incombank Ho Chi Minh City and the Standard Chartered Bank of Singapore. It dealt with matters of common concern to foreign businessmen such as the legal status of foreign investors, their privileges and obligations, simplified procedures for visa and licence application, import-export tariffs, production capacity of Vietnamese industries, and priority areas of development.

Singapore is a major trading partner of Vietnam. Bilateral trade between the two countries reached 1 billion dollars in 1991 from 788 million in 1990, and accounted for 25 percent of Vietnam's total export and import value. But Singapore is at the moment not among the ten biggest investors in Vietnam because it began to enter Vietnam's market only late last year.

Korean Hyundai Corporation Wins Contract

BK1507080092 Hanoi Voice of Vietnam in English 1000 GMT 11 Jul 92

[Text] South Korean Hyundai Corporation has won a \$40-million contract from Vietnam's Energy Ministry to supply materials for the high-voltage power line in the largest ever deal between the two countries. Hyundai will supply steel pillars and aluminous conductors for the 1,500-km power line linking Hanoi and Ho Chi Minh City.

Condolences Sent to PRC on Death of Party Elder

BK1407155392 Hanoi VNA in English 1415 GMT 14 Jul 92

[Text] Hanoi VNA July 14—Former Premier Pham Van Dong, who is now advisor to the Communist Party of Vietnam Central Committee, has sent a message of condolences to the family of Mrs. Deng Yingchao, wife of late Premier Zhou Enlai, over her recent death.

On the same occasion, the Vietnam Fatherland Front, the Vietnam Women's Union and the Vietnam-China Friendship Association have also extended condolences to their counterparts in China.

Do Muoi Urges Developing Information Industry

BK1107093592 Hanoi VNA in English 0602 GMT 11 Jul 92

[Text] Hanoi VNA July 11—Party General Secretary Do Muoi has urged Vietnamese scientists to strive to overcome all difficulties to develop informatics in service of the country's renovation.

Addressing a recent 5-day seminar on informatics in Hanoi, Do Muoi pointed to the need to liberate the productive forces, exploit all potentials of the country and set up social, economic and cultural development. The Vietnamese party and state, he said, have always

regarded the scientific and technological revolution as the pivotal revolution in the three revolutions (the other two are the revolution of the production relations and ideological and cultural revolution). This was made clear in the resolutions of the party congresses, especially the sixth and seventh congresses. He continued: "A right path to informatisation in Vietnam must be chosen by Vietnamese informatic workers themselves, both at home and overseas. They must find the most appropriate, most advanced and most effective orientation and submit the programme to the state for approval and execution."

"The ongoing process of renovation has created and will create the favourable environment for the application and development of informatics which together with the informatic technology will become an integral part of the renewed socio-economic structure. In its development, informatics will act upon socio-economic activities and will contribute in no small measure to raising their effectiveness".

"We have to strive to set up soon an informatic research and technology system on the national scale. At the same time, we should strive to step by step integrate our informatic network with that of the world", Do Muoi said.

Foreign Investments, Oil Explorations Reviewed

BK1507075892 Hanoi Voice of Vietnam Network in Vietnamese 0500 GMT 11 Jul 92

[Text] According to the General Statistics Department's figures, during the first half of 1992, licences were granted to 68 foreign investment projects with a total capital of more than \$690 million. The State Bank has recently granted permissions to a joint venture banking corporation and seven foreign banks to open their branches in Vietnam. Thus far, nine foreign banks have been operating in Vietnam under the forms of joint venture or setting up their own offices.

Regarding oil and natural gas exploitation, in early this year, the VIETNAMPETRO Corporation has signed contracts with many foreign oil corporations to explore and exploit oil and natural gas in Vietnam.

More Foreign-Invested Projects Licensed

BK1407154792 Hanoi VNA in English 1418 GMT 14 Jul 92

[Text] Hanoi VNA July 14—In the first half of 1992, 37 foreign invested projects capitalised at 233 million US dollars [USD] were licensed to operate in Ho Chi Minh City, bringing to 197 the total projects licensed in the past four and a half years in the city with a total capital of 1,233 million US dollars.

By 1991, export value of the foreign invested establishments in the city reached 27 million USD. Tax collected from them in 1990 and 1991 totalled 12 billion dong, 1 million USD and 1 million roubles.

Directive Marks People's Police Anniversary

BK1407101192 Hanoi Voice of Vietnam Network in Vietnamese 1100 GMT 4 Jul 92

[Text] The chairman of the Council of Ministers recently issued a directive on the occasion of the 35th anniversary of the people's police force.

After dealing with the need to intensify efforts to maintain public order and security and to build the people's police force into a clean and steadfast force to meet renovation requirements, the directive points out:

Cadres and combatants of the people's police force should satisfactorily exercise the duty and authority of the people's police as defined in the law governing the Vietnamese People's Police and should implement Uncle Ho's six teachings to meet requirements for strengthening discipline and public order in the new situation.

It is necessary to pay more attention to quality, militancy, and work effectiveness than quantity, trying to remove from the people's police those disqualified members if we are to build a clean and steadfast people's police.

The people's committees at all levels should direct various sectors and social organizations to closely coordinate with Fatherland Front committees in motivating mass organizations to provide positive assistance to the people's police and should achieve cooperation in the struggle against crime and violations of the law to ensure effective maintenance of public order and safety.

Nguyen Thi Dinh Inspects Election Preparations

BK1207143992 Hanoi Voice of Vietnam Network in Vietnamese 1430 GMT 11 Jul 92

[Text] On 9 July, Comrade Nguyen Thi Dinh, vice chairman of the Council of State, paid a working visit to Binh Thuan Province to inspect preparations for the forthcoming Ninth National Assembly elections.

After listening to the report on socioeconomic situation of the province during the first half of 1992, Comrade Nguyen Thi Dinh heard the provincial electoral committee briefed on results in making preparations for the general elections.

Binh Thuan is a new province. As a result, it must quickly stabilize the administrative mechanism while striving to make satisfactory preparations for the elections. Although preparation work has been carried out one month later than other provinces, leading cadres of the province considered it one of the most important tasks. They have made great efforts to organize consultations to nominate candidates to the Ninth National Assembly election in a democratic fashion and according to schedule. Documents related to the elections were promptly produced and lists of candidates and voters were quickly posted at electoral units. The province has also organized many meetings for candidates to hear the aspirations of voters in their constituencies.

Comrade Nguyen Thi Dinh also urged the public security, military, cultural, and information sectors, the Fatherland Front Committee, and mass organizations to strive to carry out the education and propaganda work satisfactorily. This is aimed at motivating cadres, party members, and voters to study and firmly grasp the citizen's obligation to vote in the general elections, thereby enhancing their political awareness and encouraging them to participate actively in the elections.

Doan Khue Meets Voters in Quang Tri Province

BK1507085992 Hanoi Voice of Vietnam Network in Vietnamese 1430 GMT 14 Jul 92

[Text] From 2 to 13 July General Doan Khue, member of the party Central Committee, minister of national defense, and a candidate for the Ninth National Assembly, visited and met with voters in the second electoral unit of Quang Tri Province.

He also paid floral tributes to fallen combatants at the Truong Son war cemetery, visited and presented gifts to cadres and the people of Hai Tu village and some families of fallen combatants and war invalids, and visited and worked with a number of Army organs and units.

Thousands of representatives of voters turned up to meet Gen. Doan Khue at the 16 points in the second electoral unit, which includes Vinh Linh, Do Linh, Cam Lo, and Huong Hoa districts. At these meetings, voters made hundreds of suggestions to various National Assembly candidates. They expressed satisfaction at the progress made in production and the care given to their livelihood. They also expressed confidence in the party and state, and pledged to resolutely continue the renovation process and persist in the path chosen by the party, Uncle Ho, and our people.

They also suggested that attention be paid by the party and National Assembly to solving problems in social life, especially the policies on approval of investments in infrastructure construction as well as policies toward members of the armed forces, cadres at the grass-roots level, and war invalids and families of fallen combatants. They said, however, that these policies must be formulated in such a way as to suit a province that has been devastated by war as well as recently separated from another province.

Gen Doan Khue thanked the voters for their sincerity and expressed his determination to satisfactorily fulfill all the duties entrusted to him by the party and people.

Nong Duc Manh Meets Voters in Lang Son

BK1507090192 Hanoi Voice of Vietnam Network in Vietnamese 1100 GMT 14 Jul 92

[Text] Carrying out the work program of the electoral council, from 5 to 13 July Comrade Nong Duc Manh, member of the CPV [Communist Party of Vietnam] Central Committee Political Bureau and the Electoral

Council, inspected preparation work for the election of National Assembly deputies in Lang Son Province.

After he was briefed on election preparations, Comrade Nong Duc Manh commended the province for its efforts in carrying out such preparations for the forthcoming election on 19 July in such a way as to ensure that it is held in accordance with democratic principles and law.

He also urged the province to focus attention on certain points to ensure that the election achieves fine results. These include stepping up propaganda on and widely disseminating the election law among cadres, the people, and members of the armed forces, especially those in highland and remote areas; promptly terminating complaints concerning the lists of voters and checking these lists to ensure that all citizens eligible for election go to the polls; attaching practical importance to helping the people of various nationalities in some famine-stricken localities; distributing wages and allowances on schedule to cadres, especially those at the grass-roots level, and retirees and families that are entitled to various social benefits; and examining and revising plans for the maintenance of security and order and control of floods and typhoons.

During his stay in Lang Son, Comrade Nong Duc Manh also met with voters in the second electoral unit, which includes Dinh Lap, Loc Binh, and Cao Loc Districts and Lang Son City, as well as a number of villages and townships and La Duong coal mine.

He listened attentively to and took note of the aspirations and suggestions of voters in these localities and pledged to fulfill his duty so as to be worthy of the people's confidence.

General Le Kha Phieu Visits Thanh Hoa Province

BK1507091392 Hanoi Voice of Vietnam Network in Vietnamese 1400 GMT 9 July 92

[Text] On the 45th anniversary of the War Invalids Day on 27 July, Comrade Le Kha Phieu, secretary of the Communist Party of Vietnam Central Committee, member of the standing committee of the Military Commission of the party Central Committee, and head of the Army General Political Department, visited and presented gifts to families of sick and wounded soldiers in Thanh Hoa Province.

Accompanying him were leading cadres of the Army General Political Department, representatives of party and people's committees, and officials from the military command of Thanh Hoa Province.

At Tho Xuan district, Comrade Le Kha Phieu visited the heroic village of Xuan Thanh which has satisfactorily carried out the Army rear services, taken care of families of wounded and sick soldiers and those who have served with merit in the revolution. Comrade Le Kha Phieu also visited the Lam Son Sugar Factory which has helped the

Army such as by providing saving accounts and aid to families of the fallen soldiers.

At various localities he visited, Comrade Le Kha Phieu, on behalf of the Ministry of National Defense, deeply thanked the party committee, administration, and people of Thanh Hoa Province for their concrete deeds in helping the families who are entitled to social welfare, especially those of wounded and fallen soldiers.

General Song Hao on War Veterans Activities

*BK1507091992 Hanoi Voice of Vietnam Network
in Vietnamese 2300 GMT 8 Jul 92*

[Text] To make preparations for the 45th anniversary of the war invalids day, 27 July, Senior Lieutenant General Song Hao and Major General Huynh Dac Huong, respectively chairman and secretary general of the Vietnam War Veterans Association [VWVA], held a working session with the Ministry of Labor, War Invalids and Social Welfare recently.

Comrade Tran Dinh Hoan, minister of Labor, War Invalids and Social Welfare and leading cadres of departments warmly welcomed the VWVA delegation.

After exchanging views on issues of mutual concern, the Ministry of Labor, War Invalids and Social Welfare and the VWVA unanimously agreed to implement a number of major programs. They include the establishment of specialist teams to study and formulate long-term policies on helping wounded soldiers and families of fallen combatants to be submitted to the government, plans to uniformly renovate military cemeteries which is to be closely supervised, creating favorable conditions for the VWVA to resolve unemployment problem for families of war veterans, and wounded, sick and discharged soldiers in accordance with the Council of Ministers' decision No. 370. Efforts will be made to seek assistance from ministries and state agencies concerned to provide more jobs the unemployed to fight poverty.

Officials of the ministry and the VWVA also agreed that they will hold periodic meetings to inform each other on the results of their work and to discuss measures to carry out tasks in the days ahead.

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Earnings Deterioration Can Be Improved

Also, regarding the decline in earnings as a factor that induces stock adjustment, there is an argument that sees it as a structural indication of a deteriorating trend. Certainly, amid the continuing high growth in fixed costs in recent years, the dividing point between profit and loss has also risen. Of course, if we look at the content of the hike in fixed costs, we should note that the generally recognized personnel costs and depreciation costs have climbed, but the degree is not so extensive, and they stem mostly from an increase in sales management costs. In other words, if we consider the fact that, among fixed costs, sales management costs are relatively flexible, the view that the deterioration of corporate earnings is "structural" seems to be somewhat extreme.

In addition, there are various arguments concerning the impact of the so-called "bubble." Regarding the effect of the "bubble" on plant and equipment investment alone, given the extreme difficulty in quantifying it, it tends to be unnecessarily viewed with alarm or to be ignored. However the "bubble" is defined, and whatever the degree of its impact, in effect the influence of the "bubble" in the real investment phase can be viewed as having materialized entirely amid the aforementioned capital stock accumulation. Also, regarding its adjustment, we believe it can be handled basically within the framework of the capital stock cycle.

Adjustment of Immediate Investment Level Is Inevitable

We should next review the range of capital stock adjustment and the method of evaluating it.

Breakdown of Fixed Costs (Manufacturing Industries, Excluding Oil Refining)

(Ratio to sales volume; unit: percent)

Years	Total Fixed Costs	Depreciation Costs	Personnel Costs	Paid Interest	Sales Management Costs
1985	32.90	3.59	12.61	2.25	14.45
1991	35.53	3.93	13.07	1.87	16.66
1985-1991	2.63	0.34	0.46	-0.38	2.21
Years	Sales Management Costs	Sales Fees	Advertising Costs	Testing & Research Costs	Others
1985	13.96	0.42	0.81	1.50	4.19
1990	15.79	0.34	0.90	2.14	5.53
1985-1990	1.83	-0.06	0.09	0.64	1.34

Data: Ministry of Finance: "Corporate Statistical Report"

First, regarding the adjustment range, given the quite high level of the present stock growth rate itself, a certain degree of stock level adjustment is probably inevitable. Based on the activities of the individual companies, they

are tightening investment, and the cautious posture of the manufacturing industries vis-a-vis plant and equipment investment as perceived through questionnaire surveys by the various organizations, is believed to give a true picture of the corporate stance. Judging from these facts, plant and equipment investment by the manufacturers this year is expected to decline, and the scope will probably be on the same level as the post-second oil shock or the high yen-adjustment period.

Of course, as we have already seen, from a long-term viewpoint, the need for rationalized and laborsaving investment will become stronger. Thus, there continues to be a deep-rooted undercurrent of strength that sustains medium-term capital stock growth. It is therefore difficult to conceive that the current adjustment will be long-term, and that plant and equipment investment has entered a medium-term stagnation phase.

Deep Adjustment of Business Can Be Averted

Also, regarding the evaluation of the fact that plant and equipment investment by the manufacturers has entered a stock adjustment phase, we wish to point out the following two facts.

First, the question of whether it causes overall business to step up the degree of adjustment. Regarding this point, given the expectation that the level of other ultimate demands will be raised, it is considered possible to avert it as long as investment by the manufacturing industries is not broadly revised downward in the future due to some reason. In other words, regarding plant and equipment investment by the nonmanufacturing industries, a growth of solid business by the major companies is expected, centering on infrastructure-related investments in electric power and transportation/telecommunications. Also, with the permeation of lower interest rates, a recovery in plant and equipment investment by interest-sensitive small and medium nonmanufacturing industries is expected. Because such investment by the nonmanufacturing industries make up more than 60 percent of overall investment in plant and equipment, it will result in a commensurate slowdown in investment by the manufacturing industries. Additionally, not only is housing investment headed toward recovery due to lower interest rates, but also demand for public investment will decline due to active budget reorganization and advance implementation by the national and local governments.

Thus, ultimate demand will conceivably maintain a comparatively steady pace even if decreased investment by the manufacturing industries is included. As the inventory adjustment currently promoted under these circumstances progresses, it will ultimately have a favorable impact on the production and earnings of the manufacturing companies that are implementing stock adjustment.

The second fact in evaluating stock adjustment is that the stock adjustment currently in progress is unavoidable in terms of maintaining the economy on a stable

growth pattern. To be sure, a certain amount of pain invariably attends the process of promoting sound business conditions. However, a management base that conforms with a new growth direction cannot be established without an adjustment of inefficient stock through improvement of a somewhat bloated earning structure. Fortunately, the level of present corporate earnings and internal reserves still leaves some leeway compared to past adjustment phases. Also, an environment is being prepared for a smooth adjustment process from the financial standpoint. Furthermore, in view of Japan's corporate adaptability in admirably overcoming the oil shocks and the high yen, the present phase can be adequately surmounted.

It is necessary at this juncture to bear "cautious optimism" from a medium-term standpoint, without being swept away by the mood.

(The portion concerning views and the future outlook is based on this writer's personal interpretation.)

Bank Managers Seeking To Halt Profit Decline

922A0289A Tokyo NIHON KEIZAI SHIMBUN
in Japanese 30, 31 May; 2, 3 Jun 92—FOR OFFICIAL
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[30 May 92 p 4]

[Text] Part I

The Benefit of Low Interest Rates—A Brake on Shrinking of the Profit Margin in Interest Rates

Bank management is reaching a turning point. With the great decline in unrealized profit on stock having continued, disposal of bad loans trailing along from the time of the bubble economy has begun in earnest, and application of BIS [Bank of International Settlements] regulations on the ratio of equity capital is also close at hand. Next year the finishing touches will finally be put on deregulation of interest rates as a whole, and reform of the financial system, which is a matter of concern, will also become a reality. Faced with the greatest turning point since World War II, for what kind of exit are banks searching? We inspected the inside story on the settlement of accounts for the March 1992 period, which for most banks was the third period in a row of declining ordinary profit.

"There has never been anything like that up till now." The president of a smaller Tokyo trading company showed his displeasure with the interest rate which the staff member of a branch of a city bank presented. "Why are they adding on interest in the current deal in spite of having dealt by the short-term prime rate for a long time?"

This bank staff member was also spoken to in a disagreeable manner by the wife of the president of a different company, who has Y100 million in a large-scale term account, who said "The interest on what I have on deposit in the local credit association is 0.2 percent higher per year. Do something!" But he cannot back down for either of them. Because

following the bursting of the bubble economy he was told sternly by the branch manager to "establish interest rates suited to profitability."

Cries of dissatisfaction have arisen from some smaller enterprises at the lending posture of city banks. It is because the banks are reluctant to lower interest, with such things as "rating their customers by such things as the strength of their credit, and tacking on an additional 0.25 percent or more per year to enterprises below a certain level," (Kansai-affiliated bank). In FY91 the Dai-Ichi Kangyo Bank lowered the ratio of application of the short-term prime rate within its total lending from over 80 percent to under 70 percent, and in the current fiscal year will tighten it further.

The percentage of total lending occupied by lending to smaller enterprises, which rose continuously during the bubble period, also turned downward in eight of the 11 city banks in FY91. The branch manager of a city bank in Osaka explains that "the increase in the past was mostly involved with large-scale loans for land. If there was collateral, we were approving loans without even looking at the documentation, but now we examine it strictly, and turn it down, even if the scale of the loan is small. We are said to be reluctant to lend money, but it is certainly not because we do not have money."

In the March 1992 settlement of accounts, the ordinary profit for city banks declined for the third straight period because of such things as rapid expansion of appraisal loss on securities, but there was a 31 percent increase in profit on net business profit, which shows the profit on their main business. The city bank side says it is because their cost of procuring funds declined due to a drop in market interest, but even among city banks, there is the view that "it is to be expected that the benefit of lowered interest will become lower because of deregulation of interest," (vice president of a leading bank).

A reverse phenomenon to that of lending interest has occurred in savings account interest.

In Tokyo, cases have begun to come to the fore in which city banks are beaten by provincial financial institutions in competition to gain the deposits of wealthy individuals. The cause is that city banks, which had increased the size of the interest which they add on to large term deposits, began from about October 1991 to be reluctant to add on extra interest.

The same tendency has also appeared clearly in super term deposits (deposits in amounts from Y3 million to less than Y10 million), which are the main unregulated-interest deposits designed for individuals. The current interest on one-year deposits at all of the 10 city banks excluding the Bank of Tokyo is 4.2 percent a year. The Jonan Credit Association and Sugamo Credit Association in Tokyo established their interest a bit higher at 4.35 percent, and give further preferential treatment up to a maximum of 4.65 percent per year in accordance

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with the extent of business, such as as lowering public utility charges and direct deposit of salary. The Cosmo Credit Union will raise its standard interest to 5.45 percent beginning in June, so there will be a difference of more than 1 percent compared with city banks.

The person in charge of the number two regional bank judges that "even city banks ought to be able to pay it if they had a mind to." In fact, city banks, too, have completed preparations for introducing preferential interest rates in accordance with the extent of business, but "they are putting it off, because it would only raise the level of city bank interest," (person in charge of product development). The real thinking of the city banks is that individual depositors are switching their deposits to regional banks and so on, but as long as there is no demand for lending because of the recession, there is no need to strain to keep them from switching," (branch manager of a major bank). The balance of deposits, which declined for the first time at the end of FY91, reflects this posture.

When the policy for rescuing the Pacific Bank was decided on, the executives of the assisting banks proudly said "financial circles ought to have been well aware that a stable force was needed." From the end of the current fiscal year into the next fiscal year there will be complete deregulation of interest, disposal of bad loans, rescue of smaller financial institutions, the BIS regulations and a reform of the financial system. It appears as if, facing this, the city banks are preserving their strength by putting a brake, by their own hand, on declining profit margins in the interest rate.

"While claiming that it was winter for banks and was painful, when it was all over, have city banks not become huge and strengthened their power to rule over financial circles and industry circles?" The chairman of a certain credit association speaks in a manner which seems vexed.

[31 May 92 p 3]

[Text] Part 2

A Heavy Burden of Bad Loans—Pressure on Earnings Becomes Serious

The assistance measures for nonbanks which were proposed by the Sumitomo Trust & Banking Co. are causing a lot of talk. It is a fantastic plan under which, in regard to Nippon Mortgage (headquarters: Tokyo), which is currently in the midst of rebuilding its management, 69 financial institutions which are its creditors would all abandon the collateral which they controlled as security for loans.

Nippon Mortgage has a large amount of bad loans because of mistakes in real-estate related loans, so it is receiving financial assistance from its main banks, such as the Sumitomo Trust & Banking Co., and is currently pushing ahead with a reconstruction plan to reduce its debt by Y200 billion by such things as sale of real-estate

holdings. But banks and nonbanks have both established mortgages on the same items, so "when you actually try to dispose of real-estate holdings, the preparation up to selling takes time, so it is also resented by the buyer," (Second Inspection Department, Sumitomo Trust & Banking Co.).

The aim of Sumitomo Trust & Banking Co. is to release the collateral so it will be possible to dispose of it in a swift and flexible manner and go on repaying the debt promptly by the profit from sale of real estate. At present, such city banks as the Sakura Bank are reacting against it strongly, saying such things as "it is a plan for banks which are controlling good collateral to gobble up profit," but there have also appeared banks which evaluate it positively, saying "it is worth studying, because if disposal of an item is delayed the burden of assistance increases further."

Real estate companies and nonbanks whose operation declined because of the bursting of the bubble economy are uniformly devising reconstruction plans based on disposal of real estate holdings, but at a time when market conditions are sluggish, management-reconstruction which depends on sale of real estate is the same as pie in the sky.

This spring, real estate companies and nonbanks which are undergoing management reconstruction, such as Dai-ichi Real Estate and Tobishima Corporation, have, one-after-the-other, greatly revised management reconstruction plans that they had once devised. In every case the plan was reconsidered because the sale of real estate holdings did not advance, so it became impossible to repay the debt as expected. Sumitomo Credit & Banking Co.'s proposal, which tries to forcibly advance the disposal of assets, shows that the state of the lingering effects of the bubble economy has become too much to be handled by easygoing treatment.

Behind it having become impossible for banks to allow their customers' easygoing reconstruction plans to run their course lies the concern that if they swallow whole such things as requests for reduction and exemption from interest, it will become impossible to put a brake on a decline in the bank's strength because of disposal of bad loans. The fact that, because of the stagnation of stock prices, unrealized stock profit, the banks' only hope, has declined to one-half of what it was 1 year ago, has also become material for strengthening a sense of crisis.

In the 11 city banks settlement of accounts for the March 1992 period (FY91), a picture of disposal of bad debts putting pressure on bank revenues appeared clearly. The total of special reserve accounts for writing off loans, which prepare for bad loans, exceeds Y800 billion, increasing by more than Y300 billion over the preceding period. The main reason is that Fuji Bank and Tokai Bank greatly increased their reserves in order to dispose of the incident of fictitious deposits.

But the bad loans whose disposal has ended by the posting of the reserves are still the tip of the iceberg. Recently, with the assistance to Esco Lease Ltd. by Hokkaido Takushoku Bank and others and the assistance to Apollo Lease Ltd. by Sakura Bank and others, nonbank reconstruction plans led by city banks have been settled in succession, and it is judged that such assistance measures will begin to exert an influence on the city banks' settlement of accounts for the March 1993 period.

The Nippon Credit Bank will put into effect measures to shelve interest in order to assist three such keiretsu nonbanks as Crown Leasing Ltd. The burden on the Nippon Credit Bank from shelving interest is judged to be a factor of an annual ¥15 billion reduction in profit, so it comes out to a calculation that approximately 30 percent of the bank's net business profit for FY91 is lost. The Nippon Credit Bank says "the benefit of lowered interest rates is cancelled out by financial assistance including that to keiretsu nonbanks," (Ryunosuke Hayashi, chief of Integrated Planning Department), and is expecting a decline of about 10 percent in ordinary profit for FY92. But this alone will not have enough power to rescue the three companies. Therefore, the Nippon Credit Bank hanned out the policy, unprecedented in financial circles, of seeking financial assistance from trusts and city banks in the reconstruction of nonbanks which are its direct affiliates.

The Nippon Credit Bank's case shows that measures for keiretsu nonbanks have begun to put great pressure on bank revenue. The bad loans held by financial circles because of the bursting of the bubble are seen to be as much as ¥30 trillion, and "in a situation of declining value of collateral, which banks have never experienced, past measures to dispose of bad loans in such times as the shipbuilding and sea-transport recessions, are no help whatsoever," (city bank executive). Since a quick remedy is not to be found, there is no method other than to make the progress of the lingering effects of the bubble economy as gentle as possible, so they can only wait patiently for the environment to take a turn for the better with such things as a recovery of land prices by reduction and exemption of interest and postponement of interest payments. It seems likely that one can say that the 11 banks, which cannot discover a decisive move to dispose of the bubble and are also unable to open a prospect of recovery of earnings, have now fallen into that kind of state of loss of self confidence.

[2 Jun 92 p 7]

[Text] Part 3

BIS-Regulation Hobbles—Smoldering Arguments for Reconsideration

City banks are rapidly compressing their overseas funding business. In the case of a certain leading bank, it has in the last 2 years reduced the balance of funding business, which is the assets and liabilities among banks

in America, by \$5 billion from \$15 billion to \$10 billion, and has a policy of also cutting back further in the future.

Most Japanese banks need to achieve an equity-capital ratio of 8 percent or more by the Bank of International Settlements standard by the end of next March. Because of this, city banks are all grappling with reduction of assets, but the thought common to all banks is to "start reducing from items which are unprofitable, and for which there will be no future trouble even if one breaks off the transaction." Among international banks "the business relationship is unsentimental, and the profit margin in the interest is also thin," (Mitsubishi Bank). Because of this idea, overseas funding business was the first to become an object of asset reduction.

Sakura Bank, which was the only city bank which fell below the final standard of 8 percent at the end of March, stresses that it "will not cause trouble for domestic customers," (Governor Kenichi Suematsu). Concerning the recent leveling off of lending, the Bank of Japan says "it is because demand for funds retreated because business slowed down; the BIS regulations are not the main cause."

But stock prices, too, have fallen further since April, so it is a fact that BIS regulations are exerting a delicate influence on banks' attitude toward lending. Sakura Bank, which says "our ratio of equity capital is about 7.8 percent at the present point in time," is setting up a plan which has growth of lending for FY92 at the same rate as the previous fiscal year in order to achieve the ratio required by BIS regulations. It is a low level of growth even compared with the fact that the other city banks are expecting growth of about 4 percent.

Because of the establishment of this low goal, and the increase of credit risk accompanying the bursting of the bubble, there are also points in which Sakura Bank's venue for loans is withering more than those of other city banks. The branch manager of a certain leading bank says "Sakura Bank's customers have become a resource open for exploitation by some other Tokyo banks with the aim of developing new business."

When we look at the FY91 settlement of accounts, in contrast to Sakura Bank's loan balance having been 0.9 percent less than the previous year, that for Sumitomo Bank, which had the highest ratio of equity capital among city banks, increased by 7.7 percent, and this, too, was the highest for a city bank. The difference in the ratio of equity capital manifested itself in the figures for loans.

"We cannot put out disgraceful figures in the interim settlement for this year (end of September),"—the person in charge of a certain bank's BIS policy revealed this to a major life insurance company, which is a creditor, in the course of negotiating conditions involving low-priority loans (debts with a low rank in the order of repayment). Funds obtained by low-priority loans can be incorporated into equity capital up to a certain ratio. At a time when the path of equity financing

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is closed because of sluggish stock prices, it is a valuable means of augmenting equity capital, so all banks are moving promptly with the aim of gaining a loan framework from life insurance companies.

However, the cost of raising low-priority loans puts pressure on bank earnings. In the case of city banks, the procurement interest is the fixed, long-term prime rate (the most preferential interest rate on loans, currently 6.3 percent), for regional banks, something more is added. To lend out, at a level at which a profit margin has been added to the interest, money which has been raised by low-priority loans, is extremely difficult at present, when demand for funds is weak, so one can also hear the "song of complaint" that "contrary to what one would expect, the BIS regulations for the purpose of guaranteeing soundness of management are weakening banks," (top executive of a city bank).

Nevertheless, city banks are outwardly cautious in regard to arguments for reviewing the BIS regulations, saying "if one starts complaining about the rules just as the contest is about to end, one will only be given a sound beating," (officer of a leading bank). Financial authorities, too, are reluctant to move, saying "at the present point in time we do not find any justification for reconsidering the rules. If we act in a clumsy fashion we will stir up distrust of Japan's financial system," (Bank of Japan).

But the argument for reconsidering the BIS regulations is smoldering: "we will be quiet until the end of next March, but after that we will look for a chance to make an appeal for revising the rules," (top executive of a city bank). The reconsideration plans being considered beneath the surface are (1) raising the ratio of unrealized profit on securities (currently 45 percent) which is counted in equity capital, (2) reconsideration of the risk evaluation of loans to the governments of developing nations and to private-sector companies, which is uniformly calculated at 100 percent and (3) incorporation of latent profit on land, which is not counted in equity capital.

Among city banks there has also grown stronger a view which could also be taken as assuming a defiant attitude: "after this, even if business conditions improve and demand for funds recovers, reluctance to lend will become real if stock prices remain low," (person in charge of planning). Originally, the BIS regulations were born in good part as a result of Japanese banks' having taken overseas a management posture of single-minded expansion. We have not heard a city bank explanation in response to the view from general companies that "it is absurd for customers to bear that bill."

[3 Jun 92 p 7]

[Text] Part 4

The Unfavorable Wind of International and Securities Business—Reducing Overseas Bases

"The colors of the three K's which painted a rosy future for banks have also faded greatly." The top executive of a certain city bank says this, interspersed with sighs. The three K's [kokusai, kokusai, kikaika no koto] stand for international, government bonds, and mechanization.

City banks reached out from their main domestic business of savings accounts and lending money, to do business with local companies and in the securities field overseas, and it was the slogan for the system investment which supported that kind of business. But in the March 1992 settlement of accounts, one bank after the other was forced to post large reserves because of irrecoverable overseas local loans, and had its revenues pressured by the loss on the sale of government bonds. The burden of payment for huge investments in computers is also weighing heavily on them.

The position of facing a headwind, in which international business has been placed, is symbolized by the words "Sooner or later we will have to turn our hand to reducing overseas bases," (executive of a leading city bank). In FY91 Hokkaido Takushoku Bank and Kyowa Saitama Bank closed some of their North American bases. The outlook is for this to spread to leading banks in the future. In Europe, too, Fuji Bank, Dai-Ichi Kangyo Bank, Bank of Tokyo and so on have already moved to reduce the staff of Swiss local corporations.

In the March 1992 settlement of accounts, too, looking at international business as a whole there are cases of being benefited by the environment, such as the decline of U.S. interest rates, so in the total for the 11 city banks, gross profits increased by approximately 20 percent. But in the general trend in regard to loan business overseas is the return-to-the-starting-point posture of "Japanese banks are strictly outsiders. Their main business is incidental services for domestic customers which are expanding operations to the local area."

This year the balance of overseas local loans of 21 city banks, long-term-credit banks and credit banks became minus even on a dollar base. It is not only because of dropping international department assets on a priority basis as a policy for satisfying the BIS equity-capital ratio, it is because all banks are reluctant to lend money because of the generation of bad assets. Transfer of overseas items is conspicuous even in the special account for writing off loans, which is a bad-debt reserve designed for specific bad loans. For example, Fuji Bank and the Long-Term Credit Bank of Japan took on a burden of 10-20 billion yen for Maxwell, who was called the king of the British mass media.

On the other hand, government-bond business, which is the pillar of the securities field, has also just gotten to the starting platform for making a fresh start. Many city banks and long-term credit banks rushed to cut their losses on government bonds with low nominal interest rates which they bought during the previous phase of over-easing of money. The scale of that disposal at The Industrial Bank of Japan reaches all of 800 billion yen.

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Dealing in bonds also expanded business with customers, and changed into a business for making money slowly but steadily. In the March 1988 settlement of accounts, when the official rate was 2.5 percent, the trading profit of all city banks on product securities (profit from dealing in bonds) was about 240 billion yen. In the March 1992 period, in spite of it being a phase of the same loose money, it was only a bit over 90 billion yen. It is said that "at that time it was an abnormal atmosphere in which if one bought it by dealer trading, the price would go up. That sort of thing will never happen again," (Mitsubishi Bank).

Even though people say that the financial constitution of the securities field has improved, what has still not been taken care of is also conspicuous. Because of the sluggishness of the stock market the unrealized loss on stock investment trusts that banks bought around 1989 for the purpose of increasing revenues has grown without banks being able to seize a chance to sell them.

Concerning reconsideration of the bank strategy which is common to international and securities business, an executive of the Bank of Japan points out that "because of reflection upon their experience of having overreached themselves in the latter half of the 1980's, major banks began to be conscious of their own bank's real strength and the efficient allocation of people and money to balance it." For every major bank to set up the same kind of overseas network, and post the same scale of staff in the securities field is already impossible even from looking at the difference in physical strength. In that sense, too, each bank is questioning its independent management strategy.

Banks' Problems With Overdue Credits Examined

922A0243A Tokyo SHUKAN TOYO KEIZAI
in Japanese 18 Apr 92 pp 4-11—FOR OFFICIAL USE ONLY

[Article by reporters Norifumi Tsukada, Eijiro Hara, Shiho Sasada]

[Text] Bank of Japan statistics have determined that overdue credits that banks are holding have surpassed all estimates to reach 29 trillion yen. That figure becomes 30 trillion if agricultural cooperatives, credit unions, and labor credit associations are included. Can banks stand up under such a burden?

Banks' overdue credits have reached 29 trillion yen. According to materials released by the Bank of Japan Board of Branch Managers, overdue credits based on principal and including related non-bank assets, have far exceeded rumored estimates. These statistics are based on surveys returned to the investigating authorities by financial institutions. They can be considered very reliable.

A breakdown by bank type reveals that city banks, as expected, hold the greatest share with 11 trillion. Trust banks and long term credit banks come in next with about 5 trillion each. Regional banks hold 4 trillion and

secondary regional banks (formerly mutual banks) hold 3 trillion yen. Credit unions apparently have up to 1 trillion yen in this bad debt. It is thought, however, that some of the non-bank numbers have been double counted by "the parent banks."

A Ministry of Finance study indicates that total bank lending, upon which these numbers were calculated, was 584 trillion at the end of last year. Non-bank loans totaled 98 trillion yen. Against total loans of 682 trillion yen, this 29 trillion yen in overdue credits is only four percent. It does not seem like much. However, the banking industry needs to secure a 1 to 2 percent interest margin to do well. Whenever that much money does not bear fruit, then some banks will go into the red.

The study estimated a 7 percent yield on lending for the year and compared this year's uncollected interest of each bank with net operating profit for 1990. According to that calculation, uncollected interest surpassed 1990 net profit for two city banks and five trust banks. In addition, it would not be going out on limb to say that five regional banks and 22 secondary regional banks are operating with a "net operating profit deficit."

If these bad loans continue for a long time, banks will be forced to pay them off whether they want to or not. When term profits are down, the banks will have to go ahead with repayments that rely on latent assets. Of course, it is rare that the entire principal is paid off. It will be the margin above the collateral that will be paid. However, the source of latent assets has begun to erode with the weak stock market.

The Reserve To Absorb More and More Bad Assets

Not Uncommon To Have More Than 10 Percent in Overdue Credits; City Bank Latent Assets Shrink to 11 Trillion Yen

It is safe to say that city banks hold the overwhelming power compared to other bank types. For that reason, they generally have the means to handle bad assets. They are also relied upon by the government authorities. That strength has been symbolized by latent assets. But even the city banks are showing signs of distress because of rapid changes and are beginning to have concerns about the future.

The latent assets from listed stocks for the eleven city banks have taken a major beating. As of the end of March, when the Tokyo Stock market fell below 20,000 to 19,345, latent stock assets fell to 11.5 trillion yen.

It is ironic that this number corresponds with the amount of overdue credits. When stocks fell to 17,791 on 7 April, these latent assets certainly fell below 11 trillion.

Last September when the Nikkei average was 23,916 yen, city banks' total latent assets from listed stocks was 18.299 trillion yen. Even in the previous September when average stock prices fell to just over 20,000 at 20,983 yen, these total latent assets were 15.7228 trillion

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yen. This severe drop in latent assets indicates just how far the value of latent assets could fall.

One city bank official stated in all seriousness that "My branch is getting to be just like non-banks. We have too many interest deferments and payment extensions like everyone else. We have sought help from the head office by asking for reduced interest rate on the money they lend us, but they have not been sympathetic."

Since this problem can be contained in one bank, a case like this ends with a complaint from the branch office. The situation is worse when the counterpart is a non-bank or newly established realtor—these newly established realtors have been termed "the symbol of all ills." Banks would be doomed to failure if they granted such requests readily.

The illustration on page six breaks down Mitsubishi Bank's 1989 and 1990 overdue credits into unlisted loans with uncollected interest and into so-called restructured loans that the bank was forced to provide easier repayment terms. Mitsubishi bank's "bubble contamination" has been relatively light and the amount of these kinds of bad credit were the lowest of the industry. We can estimate that the domestic portion of its unlisted loans with uncollected interest at more than 100 billion yen. It is increasing at a very fast pace.

The non-bank industry finds itself in a true dilemma. A Finance Ministry survey taken at the end of last year of the top 300 non-bank institutions (together they hold 80 percent of non-bank lendings) tells the story eloquently.

Total real estate mortgage loans made by these three hundred non-bank institutions and by companies specializing in home finance has reached 50.2199 trillion yen. Of the 300 surveyed non-banks, more than sixty percent have bad loans, on which they have not collected interest for at least one month, that make up greater than 10 percent of total lendings.

In addition, sixty percent of those surveyed have seen their percentage of uncollected credits increase more than three fold. These statistics show us that a good portion of non-bank lending is going bad quickly. Moreover, nearly 80 percent of non-bank institutions have a capital adequacy ration below two percent. Now that there are very few sources for no-cost funds, these institutions can fall into the red almost instantly if loans go bad.

"Lately, it is not uncommon to have men come asking our consent while threatening to fall into arrears if they are not satisfied with the restructuring plan. Eventually, we are forced to accept their request for lower interest. It has gotten to the point that "3 percent loans" are the norm." (Trust bank leader)

However, the grounds for these requests are flimsy at best. "All these recent restructuring plans are thrown together in haste. Since the problem loans are generally associated with real estate management, no one can

really get a clear picture of the situation. This scenario where the major banks venture out aimlessly into the mist offering some sort of interest rate cut or deferral is no real scenario at all." (Leader of a major bank)

This makes it easy for these restructuring plans to be renewed. When the restructuring plan is renewed twice after just a short time, its flimsy nature becomes clear. The most obvious case of this was in February when the Azabu Construction Group and its main bank, Mitsui Trust, suffered through a second renewal.

Mitsubishi Bank's "Troubled Loans" as calculated by American Accounting Standards (unit is million yen)

	FY1990	FY1989
(Unlisted Loans with Uncollected Interest)	245,623	105,225
Domestic	26,564	22,280
Manufacturing	10,751	3,578
Construction	2,525	1,302
Real Estate	1,417	1,441
Services	7,181	12,591
Wholesale and Retail	4,084	2,828
Other Industries	68	144
Consumers	438	387
Overseas	219,048	82,945
Government and Public Organizations	-	-
Banks and other Financial Organizations	331	3,710
Commercial Ventures	37,547	30,779
Other	1,558	308
Loans to Debtor Countries in Arrears	179,612	48,148
(Restructured Loans)	230,438	310,804
Domestic	24,937	16,346
Overseas (Mainly Major Debtor Countries)	205,501	294,029
Total	476,050	416,029

A Desperate Bail-Out Plan That Makes No Progress

The Obvious "Receiver" Activity; the Puzzle of Mitsui Trust's Massive Investment

As an example of a truly desperate measure, some have taken action that could be called "letting go of land."

Azabu Construction used to loudly declare its plans to rebuild by selling 200 billion yen in real estate holdings to pay its debts. However, it was only able to make 13 sales totalling 63.6 billion yen for all of last year. At first

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glance, it would seem that these numbers represent a very good effort considering the state of the real estate market last year.

Yet there is a gimmick being employed here. As last year ended, four units including the Joule-A were sold at 43.6 billion yen; at the same time, however, the holding rights for "Shitcho Building Management" were transferred. Mitsubishi Trust appraised the base value of those rights at the maximum of 49 billion yen.

One of the official board members at Shitcho Building Management is the former director of the second investigations department at Mitsui Trust. He transferred, as the director of sales, to Toshin Real Estate, in which Mitsui Trust invested 5 percent last November, and became a board member at this "unrelated company" (according to Mitsui Trust), Shitcho Building Management, about the same time.

The bottom line is that two-thirds of the property that Azabu Construction sold was taken by its main bank Mitsui Trust.

Trust Banks, which parcel out or mediate the sale of real estate, are not permitted to purchase property for later sale. Yet, the trust is usually quick to explain that "this was a last resort because it was one of our trust accounts." If you use a real estate trust, the regulation becomes moot.

Some bad credits are broken down slowly by gradually transferring them to a separate company. This is an orthodox reconstruction strategy used by banks. Even without this measure, interest payments should not have officially been stopped. The Joule-A property was finished the year before last amidst great fanfare as it was proclaimed the centerpiece of the company's rental business.

Mitsui Trust's share in the venture surely has not dropped since then, so some view this as a case where "the control of some of Azabu's assets were transferred to Mitsui Trust and an attempt has been made to increase the number of operations that can be performed freely outside the influence of Chairman Shintaro Watanabe.

One of the people to become an executive for the reconstructed company expressed concern about the future. He said, "It will be a difficult choice whether to retain the management or not. If we cut off our counterpart, then the bank will have to assume complete responsibility. As is the case with Azabu, if an owner holds stock as well as representative power, it is no different than if he had become president. A person cannot easily divest from personal assets he has built himself."

Compared to the second largest investor, Daiichi Housing Loan Corp., whose investment balance stands just less than 50 billion yen, Mitsui Trust's investment amount is enormous at 252 billion yen. Judging from the

size of the investment, Mitsui Trust couldn't withdraw even if it wanted. Other financial institutions are just unsure of themselves.

"The details about the reconstruction plans were first brought out at a press conference in February. There had been no other communication. Most of the money lent to Azabu was for project financing so it is not right for them not to pay the interest."

In addition, a non-bank holds the position as largest investor and since it faces its own management crisis its response has been lukewarm. Most analysts feel that "they are still looking into it, but probably will not agree to an interest rate cut." (Juusoo)

A powerful banking official even questions the significance of the company's existence. He exclaims that, "If you get rid of the real estate, it becomes a company with nothing. There are very few employees and since it is not listed on the market its influence is limited. This takes on a completely different meaning than the rescue of Itoman or a housing specialist firm. This reconstruction plan is just a temporary delay tactic and after a while no one will be stupid enough to listen."

Itoman is on its way to recovery as it has been covered single-handedly by Sumitomo Bank. Sumitomo posted more than ten people to its Third Investment Department, which is a specialized organization just for this kind of work. In addition, 35 Sumitomo Bank employees were sent to work at Itoman.

Otemachi Construction and Tamuramachi Industries, which had been receiving companies before, purchased 150 billion yen worth of the problem credits that were parceled out. At the same time, Sumitomo created three new asset parceling companies, Godokin General Industries, Total Resort Life, and Land Masters. They then transferred an additional 350 billion yen to these companies. Some of this showed up on the books in the first half of 1991 as unlisted un-collected interest and is having a negative affect on Sumitomo's overall revenues.

Mitsui Trust might try to invoke this method but the terms are just too different. The really hard to understand question is why Mitsui Trust has increased its investment in Azabu since the end of last year.

Mitsui says that it has "increased its investment gradually," but Azabu's internal statistics, which it has sent to other financial institutes, tells a different story. Mitsui Trust invested 40 billion yen in December of last year and another 170 billion this January.

These are too high to take over for foreign and other institutions that pulled out with little notice or to lend money to keep up with interest payments. That kind of volume makes one suspect that there was some kind of movement related to the more than 100 billion yen worth of Koito stock held.

In addition to being the main bank for Azabu and the Daini Real Estate Group, Mitsui Trust holds more than

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700 billion yen in problem investments in EIE International, Juuso, and Esukoriisu.

Of these, Azabu, Daini Real Estate, and EIE have stopped making interest payments. Daiichi Koopo was given an interest rate reduction to three percent as of the end of March. Adding Juuso to all this, we can calculate a yearly reduction in interest revenues of approximately 30 billion yen. This figure is nearly equal to the 32 billion yen that Mitsui Trust estimates will be the net operating profits for the previous March period.

Even so, Mitsui Trust continues to claim it is strong. Mitsui Trust indicates that "Unlisted accounts that are not collecting interest will increase from 1992, but we should be able to maintain profits at 1991 levels because we can offset many of these bad credits with improvements in both income and expenditures as a result of lower interest rates." (General Planning Department)

"Daiichi Real Estate's reconstruction strategy was by no means a plan to stop interest payments. They even came forward with a request for new borrowing. The request, of course, was promptly rejected. Even for Azabu, the accounts to be paid back and the accounts to be shelved were split according to how the money was spent. One must wonder whether such a method will work out."

Some people point to Mitsui Trust's lenience in the end saying, "If someone comes out from the bank and the land can be sold, then everyone should have already escorted that person to the lot. Even though the banks' shares may be sent out, the reconstruction will not go well without a commitment to support the venture." (An investigations department head at a major bank)

"Ministry of Finance Style" Non-Bank Bankruptcy

Indulgent Investment Trusting on the Strength of Lineage; Five Firms Specializing in Housing Ask for Assistance

The President of Mitsui Trust, Fujii Takeshi, said last year when he took over the position that "I will neither run nor hide." Well, now he refuses to cooperate with media investigations. He might just be at his wits end because of the large bills left over from the expansionary policies of his predecessor, the late Nakanishi Takeshi. This unusual silence coming from Mitsui just brings more attention to the severity of the situation.

"It has been said up to now that the lending side was to lenient and that is because they thought they were lending to a non-bank with an exceptional lineage. It would be nice if the authorities took some responsibility for the troubles." (Leader of a major bank)

Of late, there have been rumors of a management crisis at the "prestigious" independent non-bank, Nichibo (Japan Trade) Credit. It was established using assets left over from the old Bank of Taiwan. As a result, the ministry of finance and the Bank of Japan each had two employees working at Japan Trade. It was given permission to participate in the

call market and has proved to be the great disappointment as an "administrative affiliate."

When the bubble broke, the strict rules of business, which "seemed to encourage pawnshop finance" changed into bandwagon business practices. The fact that Japan Credit is regarded as the developer of the mechanism of cooperative savings may be an indicator that the seed of trouble was there early on. They had the gall to develop this new mechanism on the heels of the fake certificate of deposit incident. In addition, an affiliated company, Tokyo Teito Credit, has lent 36 billion yen to Azabu.

Japan Trade really started changing its management style last fall. It was then that Japan Trade began talking with the six banks with which it mainly did business.

From the beginning, Japan Trade "touted itself as a neutral financial institution and so did not have a main bank." (a person involved with Japan Trade) Even Daiichi Kangyo Bank, which is seen as the leader of the group of assisting banks, didn't express itself very articulately saying "It was just a request from the president of Japan Trade Credit. It was nothing more than consolidating business."

At the beginning of the conference, the six banks sort of lost step because of resistance from the asset-weak Hokkaido Takushoku Bank, but eventually they said there was no problem in the cooperation. There are 132 other companies that they have lent to so it will not be easy to convince those companies to maintain the same balances.

A Daiichi Kangyo Bank official emphasized that the reconstruction plan is a very serious matter saying, "300 billion yen lay dormant in real estate assets domestically and overseas. If the economic situation does not turn around, it will be impossible for Japan Trade to recoup those funds by selling assets. As a prerequisite for keeping Japan Trade from falling into deficits despite the inability to sell these assets, the six banks have reduced the interest rate that Japan Trade must pay to 2.5 percent."

To look at this another way, the official is testifying that Japan Trade is stuck with its real estate assets and is hand-cuffed. Will they be able to recoup these funds over the next five years? During that time, will many other financial institutions go along with the plan?

An executive at one of the six banks expressed some of the confusion that abounds saying, "I thought this was a company that was created by the Bank of Japan and Finance Ministry. I honestly did not feel they would let us work with the company so closely. Yet, it is said that the Bank of Japan supports us..."

The banks themselves already have some scars. They will not always been so helpful to the authorities. That just

further shows that Japan Trade Credit is a non-bank that just cannot be allowed to fail.

There are also the housing loan specialist corporations that are examples of non-banks that cannot be allowed to fail because the authorities have gone out on a limb for them. A series of financial assistance groups have been formed.

Total lending for these 8 specialist companies totals more than 13 trillion yen. However, over 7 trillion of this is associated with real estate. Five of these specialist companies, including Regional Bank and Life Insurance Housing Loan have already asked for financial assistance from their transaction banks. The largest of these eight, Japan Housing Loan, although it has not made such a request, has more than 100 billion yen in bad loans (over 6 months overdue).

A similar pattern of restructuring has emerged in other institutions such as Sumiso or Japan Housing Loan which has recently solidified a series of restructuring plans. In contrast to Regional Bank and Life Insurance Housing Loan's movement toward down-sizing operations, the other companies are trying to survive by putting all their efforts into housing loans.

For example, Sumiso was formed mainly by the seven trust banks. Of the total 1.8 trillion yen invested in Sumiso, 130 billion consists of bad credits on which interest has not been paid for more than six months. The plan for now is to cut these company assets in half over five years and strengthen the company through housing loans.

The 700 billion yen invested by the seven trust banks has been provided at a reduced interest rate. Other lenders have been asked to maintain the original level of investment and the trust banks have agreed to provide funds to pay interest when necessary.

"There is no expectation of higher real estate values calculated into the restructuring plans. The reduced interest rates bring the calculations of revenue and cost into a neutral balance. Investors other than the trust banks have not been asked to take on the burden of lost profits, so we should be able to keep the deal together. (A trust bank leader)"

"The difficult task of handling bad assets brought by the busting bubble has caused money to flow from banks through non-banks into sectors where banks are not allowed to lend. It has become a major task just settling a debtor-creditor transaction. (A bank examiner)"

Even if you want to sell your real estate assets, it is common for five or six different people to have some share in the mortgage. Sometimes there is even organized crime connections. Of course, selling in a market where values have fallen below the principle owed means taking a loss. Who must spill the most blood? If the main bank isn't willing to take that role, then the reconstruction plan will not work.

That is where the difference lies between Japan Mortgage, in which Sumitomo Trust clearly took responsibility, and Ekuion, which couldn't get a commitment from Daiichi Kangyo. The fact that the Esuko Lease deal came together can be attributed to Hokkaido Takushoku's willingness to wear mud on its face.

For the bankers that made the trek to the investigations division of the banking bureau located on the fourth floor of the Finance Ministry, settlement day on 31 March could not end quickly enough. They were there to receive certification of loan repayments. By then most of the banks already had a thick stack of documents to receive. Judging from the way in which overdue credits have increased, it seems inevitable that the thickness of that stack will have and will continue to grow through these last two quarters.

Who Will Be the First To Withdraw Funds?

The banking industry is keeping an anxious eye on any sign of trouble in the leading city banks.

There have been numerous reconstruction plans announced for non-banks and new real estate companies, but the true purpose behind these plans is to prevent someone from being first to leave the investment group. As a result, the current buzz word in the industry have become "cooperation with other banks" and "maintaining the balance of investment."

In cases where a reconstruction plan just could not be brought together, then troubled companies or banks are forced to hurriedly rid itself of real estate assets. If, by doing this, some investors try to recoup some of the money they have lent, there would be a break in the delicate balance that is being happily maintained through self control. There is a fear that something like this could cause a chain reaction that could lead to funds being withdrawn everywhere.

The reconstruction plan of these non-banks and real estate companies are similar to a reconstruction plan for a manufacturer. The real challenge is determining how to secure a steady cash flow and how to increase that over time. Reaching the goal hangs on the simple ability of finding the reduced balance.

The framework of a reconstruction plan attempts to find that reduced balance by reducing both debt and outstanding lending. Assets are to be sold and borrowed funds are to be paid back. Non-banks will need to recoup the money it has lent. The real problem is whether these trouble institutions can sell off their assets on schedule. Non-banks hold the mortgages on real estate, so that means non-banks and real estate companies must do the same thing for reconstruction.

The reason the top city banks are being watched is that, in order to maintain high profitability, they might soon choose only bad mortgages that are taxed and load up on them. Under such conditional transactions, "sudden death" would be allowed. Other banks are not neglecting

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their preparation just in case such a troubling proposal is made. They are leaving no stone unturned in search for anything that might lessen the shock.

Communist Party Outlines Political Stance

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9 Jul 92 p 3—FOR OFFICIAL USE ONLY

[Editorial: "A Party Persisting in the Principle That 'The People Are the Masters' in Issues Relating to the People's Livelihood"]

[Text] In their opening speeches for the House of Councillors election campaign, all political parties stressed "international trends." The world trend remains to be the principle that "all nations are equal" and "the people are the masters." Has the principle "the people are the masters" been carried out in Japanese politics?

According to LDP Vice President Kanemaru, the Liberal Democratic Party [LDP] has been talking about the "collapse of communism and socialism" and has been saying the LDP "is working hard to safeguard the people's lives and property." In relation to the issues of livelihood, it is also attacking the Japanese Communist Party [JCP] with the theory of choice of political systems, and attempting to remove the JCP from the political stage.

However, the reason why the Soviet Union disintegrated is precisely because it abandoned the essence of socialism—"national equality" and the principle that "the people are masters"—going against the world current and devoting one-fourth of its GNP to military expenditures, thus bringing about economic bankruptcy, and suppressing democracy and imposing dictatorial rule, going against the worldwide trend in favor of peace and democracy.

The Essence of Socialism

As JCP Chairman Fuwa said in his opening campaign speech: "The principles that 'all nations are equal' and 'the people are the masters' were first upheld by our forerunners, Marx and Engels; these principles are the very essence of socialism." The JCP "is the only political party founded in Japan which firmly embodies this spirit." "It is a party which carries out politics in all aspects in the spirit that 'the people are the masters.'" Therefore it is not "obsolete" but rather a "historical pioneer" which has stood in the frontline of world trends over the past 70 years for the sake of the people's happiness, both before and after the war.

According to Prime Minister Miyazawa's cabled message to the LDP ceremony opening the electoral campaign, the LDP claims it "has built the present-day peace and prosperity under the principles of freedom and democracy." However, can we say a situation exists in Japan where "the people are masters"?

Although Japan is the number-two economic power in the world, the lives and livelihood of the people living in

Japan are being afflicted by long working hours and over-intensive labor; by "death from overwork" [karoshi]; by housing problems; by commuter hell [tsukin jigoku]; by taxation that constitutes a violation of human rights; by the burden on household finances created by the consumption tax... Inadequate social security makes life in one's old age precarious. As a matter of fact, at present many senior citizens are suffering from poverty, having to live on a monthly pension of about 30,000 yen (National Pensions); from the pain of illnesses, owing to discrimination against the elderly in medical service and to being driven out of hospitals; from the ruthless welfare administration, which strives to do away with relief for the needy; and from housing problems, with many people on the brink of becoming "homeless" as a result of rising rents and increasing pressure to evict them due to spiraling land prices. They are being left behind by the so-called "prosperity." There have been endless tragedies where people take their own lives. The tragic truth is that the suicide rate among the elderly (75 years old and above) in Japan ranks second in the world.

Contrary to the LDP's self-praise, such things as "death from overwork" and the hard facts of life—which are literally "fatal" for the people and which threaten their right to live—actually exist.

There are no legal provisions regulating overtime work; there are no laws protecting the rights of taxpayers; there is no system guaranteeing the state's responsibility for welfare of the aged and the disabled; there are no laws or regulations protecting nature, the environment, and historical scenery; there are no national policies upholding self-sufficiency in rice and protecting agriculture. Such a despicable situation in Japan, where are absent rules which are taken for granted even in other capitalist countries, is the result of the tyranny of big business—which is unequalled in the world—and of LDP politics—which are subservient to the wishes of the United States.

It is the LDP that has perpetuated arms expansion and "administrative reform as suggested by the Ad Hoc Council on Administrative Reform" [rincho gyokaku], eliminating welfare and education in accordance with the wishes of the United States. It is an "obsolete" party running counter to the world trend favoring the principle that "the people are the masters."

The JCP Has a Major Role To Play

In the upper house elections the big issue is whether we should allow such LDP oppressive politics to continue, or should reforms be instituted from the standpoint of the people. Our future is at issue. It is time for us to change LDP politics from its very roots and eliminate money politics in order to take a big step toward reforms which will enable the world's number-two economic power to be used in the interest of the people, and in

order to achieve a Japan where "the people are masters" and where people can live in equality and prosperity.

Now is the time when the JCP—which persists in the principle that "the people are masters" as regards issues relating to the people's livelihood—must be strongly urged to play its role and give full play to its capability if we are to change the present state of politics, with which 17 percent of the people are "dissatisfied"—according to an NHK opinion poll in March 1992—and make Japan a place in which people can live in equality and prosperity.

Let us change LDP politics from its very roots; restrain the tyranny of big business; and bring back "human beings, family, and nature" into our daily life with a victory by the JCP.

'Trilemma' of Consumption, Preservation, Growth

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[Unattributed article: "Historical Flash Represented by the Fossil Fuel Age—Volume 70, Issue 21, Series 3011"]

[Text] The Earth Summit will be held in Rio de Janeiro, Brazil, from 3 to 14 June. The theme of the summit, "Sustainable Development," is a complex issue because it involves growth, development, and environmental preservation, each subject to trade-offs. This series of articles, of which this is the first one, will be published on a long-term basis anticipated to become a series of about 30 installments and will cover energy, the environment and economics.

Global Issues Research Council; After the Industrial Revolution

A constant flow of new technology was created throughout the history of mankind. Such development took place to protect humanity from natural disasters, famine, and epidemics, as well as to wage war. In addition, technology enabled humanity to replace physical labor.

The industrial revolution which started in England, and the noteworthy discovery of the steam engine at the end of the 18th century evolved into the mechanization of physical labor and the opportunity for spectacular development of a technical society. These developments signalled the advent of the high-volume energy consumption age using fossil fuels.

However, the high-volume consumption of energy had the simultaneous effect of disrupting the ecological system which was until then basic to natural cycles and increasing the burden imposed on the environment.

Agricultural production required the use of a large variety of chemical substances to remove harmful plants and weeds, to add fertilizers to the soil and to remove noxious insects, thereby imposing the need for additional energy. Cities became societies which were totally dependent on the consumption of energy in terms of

factories, heating, cooling, illumination, transportation, and other services. Even trash could not be absorbed by the ecological system, or recycled, and its disposal required the use of fossil fuels.

A strong correlation exists between technical development, energy consumption and the world population. The industrial revolution, especially the mechanical revolution which introduced the conversion of reciprocal engines to high-powered steam turbines at the end of the 19th century, signalled a sharp increase in world energy consumption and in world populations. At that time, the world population was approximately 1.5 billion and the world's annual consumption of coal, which was the main source of energy, converted into petroleum equivalents was 300 million kiloliters or 0.36 liter per capita per day.

Then, the discovery of petroleum in the United States in 1859 led to a change to petroleum as the main source of energy, and the rapid growth of the petrochemical industry. World energy consumption in 1950 immediately following World War II converted to petroleum equivalents was 2.1 billion kiloliters for a population of 2.5 billion, calculating into per-capita, per-day energy consumption of 2.24 liters or a six-fold increase over 80 years [as published].

Furthermore, industrialization and development of the automobile-dependent society after World War II increased energy consumption on an accelerated basis. This trend also reflects world emulation of the affluent material civilization of the United States. In other words, technical development not only liberated people from physical labor, but also progressed in a way to satisfy the human desire for material wealth and day-to-day conveniences and comfort. These changes led world energy consumption to rise 4.6-fold to 9.72 billion kiloliters in a mere 40 years, and that trend continues today.

What's in Store for Descendants 300 Years From Now

An analysis of types of energy currently in use reveals that petroleum heads the list and represents 40 percent of the total, followed by 30 percent for coal and 20 percent for natural gas. Fossil fuels represent 90 percent of the overall energy consumed, and demonstrate the dependency of today's society on fossil fuels for its existence.

The remaining 10 percent is covered by hydroelectric and nuclear power. Use of nuclear power has created a major worldwide controversy, but represents only 5 percent of total energy supplies.

Fossil fuels are a depletable resource and will eventually become exhausted. The question is, how long will the remaining fossil fuel supply last?

Resource reserves are normally expressed in terms of proven reserves that can be recovered with current technology on an economically feasible basis. Proven

reserves are subject to change based on costs, but in the case of petroleum, ultimate proven reserves have been running for 20 years at 2.2 trillion barrels (1 barrel equals 159 liters) without any major fluctuations.

Of that petroleum, 700 billion barrels or about one-third of the proven reserves has been used in the past 150 years, leaving a balance of 1.5 trillion barrels.

Production of petroleum rose sharply since the end of World War II and continues at unprecedentedly high levels, despite two petroleum crises in recent times. The price of petroleum is \$20 a barrel which, when compared in terms of real values, places it at the same level as the low supplier costs prevailing before the petroleum crises in the 1970's.

We now live in a plentiful age when we can use petroleum generously. However, when viewed from the standpoint of a resource, petroleum production must inevitably face curtailment around the year 2010. From that point on, we will be dependent on natural gas and coal.

Remaining proven reserves of natural gas converted into petroleum equivalents are 1.3 trillion barrels, 9.1 trillion barrels in the case of coal, and 2.1 trillion barrels in the case of oil shale and tar sands. These figures indicate fossil fuels will serve as the main source of energy until the latter half of the 21st century. In other words, we still have another 100 years in which we can consume fossil fuels and enjoy an energy-based civilization.

However, if we look at the situation from a different perspective, all this translates into a picture wherein we will have exhausted a several-billion-year accumulation of energy in just 200 to 300 years. If compared to history from the beginning of time or the 500,000 years since the days of *homo erectus*, the period in which fossil fuels can be used is like a mere flash in the pan.

Our descendants 300 years from now who face the depletion of fossil fuels will probably look back at our age as the period of fossil fuel consumption or the period of waste. Needless to say, if large-scale fossil fuel consumption destroys the global environment as well as humanity, then there will be no need for such labeling....

The volume of energy consumed by our country in 1990 converted into petroleum equivalents was 530 million kiloliters. If this figure is converted into per capita consumption, it translates into the equivalent of 11 liters of petroleum per capita per day. This is equivalent to 50 times the 2,000 to 2,500 kilocalories of food consumed on a per capita basis.

Expressed in a different way, this means that every child and adult Japanese consumes 50 man-days worth of energy on a daily basis or maintains a way of life that uses the equivalent of 50 "slaves."

I will use some very familiar examples to illustrate our energy consumption. Refrigerators, lights, heating, and

bathroom fixtures for one family consume the equivalent of a daily average of 25,000 kilocalories. That means that we are using the equivalent of about ten housekeepers.

A look back at residential construction indicates that the Edo period relied almost exclusively on manual labor. Despite such methods, energy consumed in the construction of the Hall of State Ceremonies at the Kyoto Imperial Palace was at the rate of 15 man-days per one square meter. By comparison, construction of today's single-unit homes require the equivalent consumption of 25 times as much energy. Construction of a home with 100 square meters of floor space would require consumption of the energy equivalent of 36,000 man-days.

Travel requires the consumption of a large amount of energy. In the Edo period, it took 15 days to walk through the 53 rest stops on the Tokai highway from Edo [Tokyo] to Kyoto. This was the equivalent of 15 man-days of energy. Today, we can travel fast by bullet train or an automobile, but travelling the same distance on the bullet train would require consumption of the equivalent of 24 man-days of energy, by automobile it would require the equivalent of 100 man-days of energy and by jet aircraft the equivalent of 104 man-days of energy.

These are ways in which the consumption of energy enhances the comfort level of our life-styles. Manual labor at work and in the home is being reduced yearly with the progress of automation, but that leads to a commensurate increase in energy consumption. Looking back at the many years of history, today's modern society is probably the only period in which there were no slaves. Because it is available at cheap prices and on a stable basis, we use energy unconsciously in our everyday lives as if it were the air we breathe.

However, our methods of using energy pose many problems. Of all the energy that our nation uses in one year, only 37 percent is used effectively. The remaining 63 percent is wasted. That's like allowing 30 slaves to die in vain. Furthermore, it is questionable as to whether the 37 percent, supposedly used effectively, is being used because it is really needed.

Growth and Energy Consumption

Now, the question is, will the consumption of energy continue to support future growth in society? A definite and strong correlation existed until the 1970's between the level of social development and energy consumption. In other words, as per capita GDP grew, so did the per capita consumption of energy.

However, this situation was reversed in the 1980's.

The economic growth of society is definitely and strongly dependent on the consumption of energy up to a certain level, but this dependence is subject to change. In advanced nations, the correlation between per capita GDP and energy consumption is extremely small. In fact, as energy consumption grows, GDP has a tendency

to fall. This trend is prominent in countries where per capita income is high and affluence has been enjoyed over many years.

We can no longer say that energy consumption is a condition required for economic development. Europe and the United States, despite high levels of energy consumption, are plagued by many economic and social problems. Materialistic civilizations which assigned high priority to attaining efficiency and straight-line progress are now faced with many problems such as a widening gap between rich and poor, depletion of resources, environmental pollution, and alienation of people.

Current worldwide energy consumption on a per capita basis has increased to a level 2.2 times that of 40 years ago. That consumption level when converted to petroleum equivalents represents 4.8 liters per capita per day in terms of 1990 valuations. Of special note is that the advanced countries of the OECD have only 15 percent of the world's population, but are responsible for 52 percent of worldwide energy consumption.

A country-by-country analysis shows that Canada and the United States have the highest consumption levels on a per capita, per day basis of 26 liters. Put another way, this means that Canadians and Americans consume energy every day at a level 100 times that of their daily intake of energy from food.

Japan ranks ninth in terms of energy consumption, and per capita daily consumption is 11 liters or 40 percent of U.S. consumption levels, about the same as the Western European nations. By comparison, developing nations such as China and those in Africa consume about one to two liters, one-fifteenth that of the United States.

Energy consumption levels between advanced nations of the North and developing nations of the South differ widely in this manner, and that differential has remained basically unchanged from times past. However, recent trends indicate that in contrast to the fact that per capita energy consumption has remained stable in advanced nations over the past 10 years, energy consumption—in developing nations showing conspicuous gains in population—has doubled and continues to increase.

Population increases in developing nations pose an extremely serious problem in terms of the future energy issue. The world population is projected to be 10 billion in year 2050. Assuming per capita consumption remains at current levels, overall energy consumption will increase 90 percent, and basic energy consumption differentials between North and South will hardly change from current levels. Rather, there is the risk that the absolute poverty-level class in developing nations will increase to three billion from the current level of 1.2 billion.

By then, the provision of energy supplies for 10 billion people will pose a serious problem. Current resource levels indicate that petroleum reserves will peak out around 2010 and reserves for natural gas around 2030, and that production will decline thereafter.

Even if nuclear and hydroelectric energy development is increased at past rates, production will reach only one-half of energy demand levels in the year 2050. The remaining demand will have to be filled with coal, oil shale, tar sands, and other natural energies exclusive of hydroelectric power. If that requirement becomes totally dependent on coal, coal production would have to be increased three-fold from current levels and carbon dioxide emissions would increase 2.5-fold.

Shahari; Learn, Master, and Graduate

Many environmentalists warn that prevention of global warming will require restraining future carbon dioxide emissions to current or lower levels.

If developing nations in the future seek the attainment of material civilizations equal to those of advanced nations and increase per capita energy consumption to advanced nation levels, world energy demand in 2050 will be 60 billion kiloliters in petroleum equivalents or six times current levels. If that happens, fossil fuels will not be able to satisfy energy demands, the global climate will be completely upset by vast emissions of carbon dioxide and the destruction of humanity will be unavoidable.

There is a term called *shahari* which depicts a mental attitude embraced in the teaching of martial arts which has thrived in our nation from times past in the form of judo and karate. *Shahari* also applies to the various apprentice systems used many years ago, but the principle conveyed here is that the apprentice first concentrates to faithfully learn the "basic form" from the teacher, while unrelenting efforts allows him to master the art and excel over the teacher, and he is eventually able to graduate as he is then capable of practicing his art independent of the teacher.

Our country has concentrated on the assimilation of European and U.S. technology and culture with a view to economic expansion since the Meiji Era. Now, we have grown to the stage where we excel over other advanced nations in terms of technology and economic prowess, and that growth is now being emulated by developing nations. However, if the developing nations follow our footsteps in emulating Europe and the United States, humanity will invite ruin from the standpoint of energy resources and a variety of other environmental problems.

As our nation marches forward, we must emerge from the "materialistic civilization" philosophy of Europe and the

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ANNEX

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United States who were our mentors, construct a new and original society which uses energy and resources efficiently and can serve as a model for developing nations.

We have organized a Global Issues Research Council of approximately 20 civilian researchers from the economic,

political, technical, and scientific sectors. Energy consumption, environmental preservation, and economic growth are faced with a mutually restrictive period. This relationship has been interpreted as a global "trilemma" and we now pursue analyses and methods of overcoming that situation through an interdisciplinary forum.

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